Manitoba
March 31, 2003

Integrity Independence Teamwork Professional Excellence

OFFICE OF THE AUDITOR GENERAL

Operations of the Office

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Auditor General will contribute to greater public trust and confidence in the institutions of government.

Mission

To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;

compliance with legislative authorities; and

the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect **Honesty**

Integrity **Openness**

IN ACHIEVING OUR VISION AND MISSION

Teamwork

Independence

Balanced Perspectives

Professional Excellence

Office of the Auditor General
500 - 330 Portage Avenue
Winnipeg, Manitoba, Canada R3C 3L6

July 2003

The Honourable George Hickes
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith our Annual Report on the Operations of the Office of the Auditor General for the year ended March 31, 2003 to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

Jon W. Singleton, CA•CISA
Auditor General

103-06819/

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This Report

This Report describes the functions and operations of the Office of the Auditor General and presents the audited financial statements for the Office for the year ended March 31, 2003. It is not a report on the results of the audits conducted, as this information is tabled in the Legislature separately.

Reflections of the Auditor General

This report shows that 2002/03 was indeed a busy year for the Office. It was also a productive year as shown by the number of reports issued and the many activities we are pursuing to strengthen our internal operations.

But more importantly, I believe the report shows that the Office is an effective agent for positive change. From encouraging improvements in financial reporting to the citizens of Manitoba to advancing the dialogue on governance in the Manitoba public sector to making numerous recommendations to improve the effective delivery of service by government departments and recipients of public money, our work covers many aspects of public sector activities.

That we are able to accomplish so much with a limited staff complement is a testimony to the hard work and creativity of the professionals who form the OAG team. I thank them for their dedication.

I encourage the Members of the Legislative Assembly, particularly the members of the Public Accounts Committee, to reflect on the recommendations the Office has made and to consider how the Assembly can use the work of the Office to achieve the outcome we all desire: improved governance of, and accountability and transparency in, the use of public monies.

Jon W. Singleton, CA•CISA

Significant Milestones and Accomplishments for 2002/03

Health Indicators

- In September 2002, our Office completed an audit of the first Health Indicators Report issued by the Province of Manitoba. This audit was conducted concurrently with similar audits being executed by other provincial legislative auditors. We issued an unqualified opinion on 35 of the indicators and reserved an opinion on 21 indicators. We issued a management letter to assist the Department of Health through recommendations for improvements in the area of data capture. Details on the audit and work conducted were reported in our "*Report on the Audit of Public Accounts for the Year Ended March 31, 2002*", which was issued in December 2002.

Public Accounts

- Our Office contributed to the Government's decisions to:
  - improve the financial statement disclosure in a number of areas in the Summary Financial Statements; and
  - disclose information using several key financial indicators.

Municipal Accounting

- In October 2002, our Office released a report titled "*Investigation of the Rural Municipality of St. Clements and a Review of Municipal Accounting and Reporting Standards in Manitoba*". The Province has committed to developing a process to implement generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants and which in turn would have municipalities preparing annual audited financial statements in compliance with Section 183(1) of The Municipal Act. Further, the Department supported the Auditor General's recommendation that the Department consider its role in reviewing municipalities' governance

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practices and compliance with provincial legislation. As well, the Municipal Board of Manitoba committed to considering our recommendations that it review its role as the final approving authority of municipality borrowing by-laws, within the context of its statutory obligations and mandate.

- In January 2003, our Office released a report titled *"An Examination of RHA Governance in Manitoba"*, intended to foster meaningful dialogue on enhancing the board governance practices of Manitoba's Regional Health Authorities.

RHA Board Governance

- As a result of the strong interest in our report to the Legislature on *"A Review of Policy Development Capacity Within Government Departments"* (November 2001), we prepared a companion document, *"A Guide To Policy Development"* (January 2003).

Policy Development Capacity

- Government made a commitment to "continuous improvement in public reporting" in response to our December 2002 report to the Legislature on *"Performance Reporting in Annual Reports: Current Practices Among Crown Entities"*. Subsequent to issuing this report several Crowns requested our input in refining performance information in their annual reports.

Performance Reporting

- In June 2002, our Office issued a report titled *"Investigation of Missing Artifacts at the Anthropology Museum of the University of Winnipeg"*. Our findings, conclusions and recommendations resulted in improved controls in this area.

Missing Artifacts

- In December 2002, our Office released a report titled *"Audit of the Public Housing Program"*. Leading up to the release of the report, a number of issues and recommendations were made to representatives of the Department of Family Services and Housing which were then acted upon during the course of the audit, and subsequent to its completion.

Public Housing

- In December 2002, our Office released a report titled *"Assiniboine Community College, Investment in Information Technology"*. We observed that the College was managing its Information

IT at Assiniboine Community College

Technology Department with due regard for economy, and given the funding level provided, with a concern for efficiency and effectiveness.

Student Financial Assistance

- In September 2002, our Office released a report titled *"Audit of the Student Financial Assistance Program"*. The audit highlighted a number of issues and recommendations for the Department of Advanced Education.

First Nation Gaming Accountability

- Our Office released a report titled *"Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability in Manitoba"*. A number of recommendations in our report were incorporated into draft legislation that was tabled in May 2003 that would provide the Manitoba Gaming Control Commission with the necessary authority needed to fulfil its intent and purposes.

Reforms to Public Accounts Committee

- In August 2002, the Legislative Assembly adopted some of the reforms to The Public Accounts Committee that were proposed by the Auditor General. A discussion of this can be found in our report on the *"Audit of the Public Accounts for the Year Ended March 31, 2002"* that was issued in December 2002. Although we continue to believe that further reforms are warranted, we commend the Members of the Legislature for having taken the first step towards making Manitoba's Public Accounts Committee more functional.

Reliance on Private Sector Auditors

- Our Office developed and communicated a review process for financial statements of government entities audited by private sector auditors in accordance with The Auditor General Act. This is further discussed in our report on the *"Audit of the Public Accounts for the Year Ended March 31, 2002"* which was issued in December 2002.

Office Reorganization

- Late in the fiscal year the Office reorganized with the establishment of an Executive Director, Professional Practice and an Executive Director, Strategic Initiatives position reporting to the Deputy Auditor General and Chief Operating Officer, and with Audit Principals having sector responsibilities. This will contribute to more effective Office operations and the achievement of our mission and vision.

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Office Intranet

- The development and introduction of an office-wide Intranet will strengthen internal communication and knowledge sharing. This includes a link to a Canadian Council of Legislative Auditors (CCOLA) website that will facilitate the access to and exchange of information between Canadian Legislative offices.

Sustainable Development

- During 2002, our Office developed action plans in accordance with provincial sustainable development guidelines.

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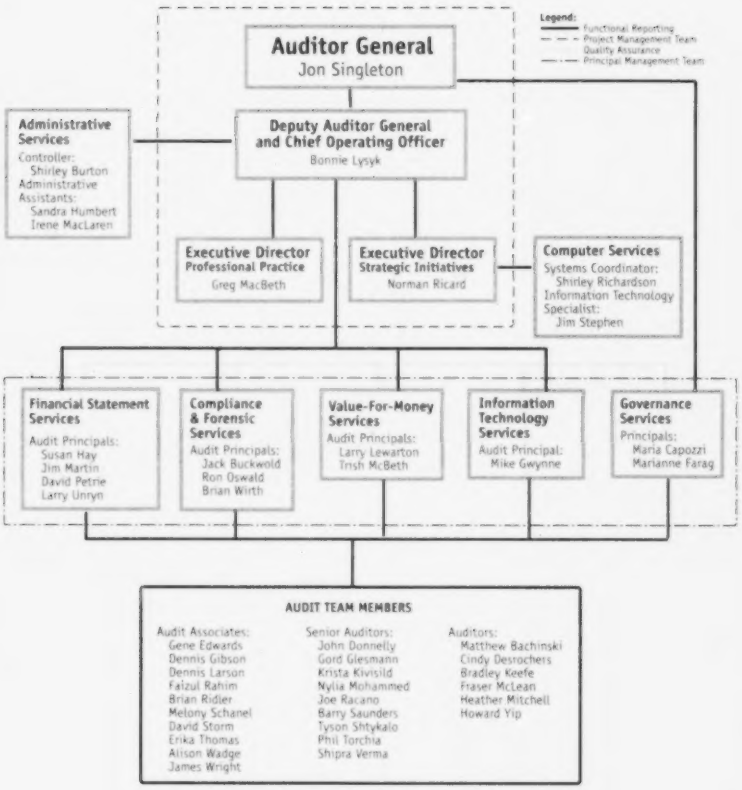
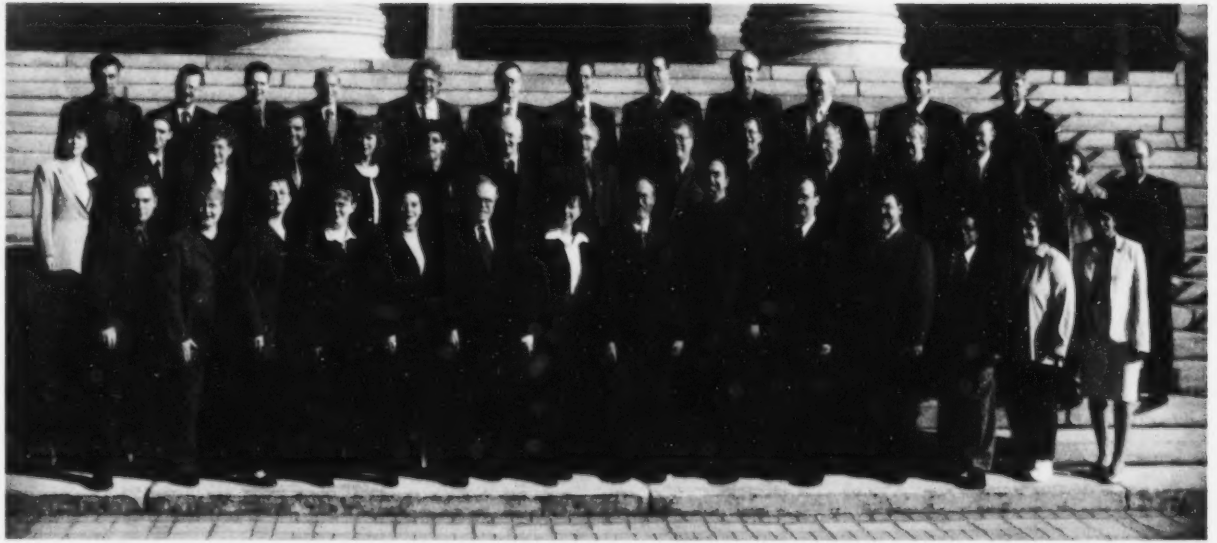
Who We Are

Organization Chart



Our Team



Left to right from Top Row: Howard Yip, Gord Glesmann, Fraser McLean, Bradley Keefe, Ron Oswald, Larry Lewarton, David Storm, Giusseppe (Joe) Racano, Jim Stephen, Jim Martin, Tyson Shtykalo, Dennis Larson
Second Row: Trish McBeth, Matthew Bachinski, Irene MacLaren, Phil Torchia, Shirley Richardson, Marianne Farag, John Donnelly, Brian Wirth, Larry Unryn, Brian Ridler, Barry Saunders, Alison Wadge, Mike Gwynne, Susan Hay, Gene Edwards
Third Row: James Wright, Sandra Humbert, Krista Kivisild, Heather Mitchell, Maria Capozzi, David Petrie, Bonnie Lysyk, Jon Singleton, Norman Ricard, Greg MacBeth, Jack Buckwold, Faizul Rahim, Shirley Burton, Shipra Verma
(Not Shown: Cindy Desrochers, Dennis Gibson, Nylia Mohammed, Melony Schanel, Erika Thomas)

Independence and Role

The Office of the Auditor General is an independent office of the Legislative Assembly. The Auditor General plays an important role on behalf of the citizens of Manitoba in the process by which the legislature holds the government of the day accountable for its actions.

In fulfilling that role, the Office has the responsibility, on behalf of the public, to bring to the attention of the legislature, and to officials of the Government, anything that we consider "should be brought to the Assembly's attention".

Legal Status

Pursuant to The Auditor General Act, the Auditor General serves as an Officer of the Legislative Assembly. The Act gives the Auditor General the responsibility, authority, and independence to audit and publicly report on all government organizations as well as to conduct audits of recipients of public monies. By law, our reports are provided to Members of the Legislative Assembly of Manitoba.

Finances and Resources

The Legislative Assembly Management Commission, an all-party Legislative Committee, reviews and approves our annual budget. The Office of the Auditor General's financial statements, relating to the year ending March 31, 2003, have been audited by a firm of Chartered Accountants and are presented in this report (see Financial Accountability Section).

Operating Principles

Independence

- We conduct our work in an objective and unbiased manner.

Balanced Perspective

- We put forth well considered and fair conclusions based on analysis of all opinions and where appropriate, reporting on strengths as well as weaknesses.

Teamwork

- We work together cooperatively and in a coordinated manner to achieve a common goal.

Accountability

- We are accountable for our individual contributions to the products and services provided by the Office.

Value-Added Work

- We provide the Legislative Assembly with value-added reports.

Professional Conduct

- We adhere to the Office values in carrying out our work.

Professional Excellence

- We maintain sound audit methodology and meet the professional standards and competency requirements of our Office.

Financial Stewardship

- We use taxpayers' money effectively and efficiently.

Code of Professional Conduct

Employees of the Office of the Auditor General conduct themselves as professionals in their approach to their work and take pride in their accomplishments. We encourage a positive and professional attitude including a commitment to the Office's operating principles. As well, all employees must respect the confidentiality of information acquired in the performance of their work.

In addition, our employees belong to professional associations governed by by-laws and codes of conduct that they are required to comply with in carrying out their work in order to maintain good standing in those associations.

To maintain their independence and objectivity, employees of the Office of the Auditor General are not permitted to take an active role in the affairs of any political party. In addition, all employees are required to take an Oath of Allegiance and sign an Oath of Office and a conflict of interest declaration.

Services

The Auditor General is the auditor of the Public Accounts of the Government including the "Summary Financial Statements" and the "Special Purpose Operating Fund and Special Funds Financial Statements". The Summary Financial Statements reflect a consolidation of the Special Purpose Operating Fund and Special Funds Financial Statement with the financial statements of all organizations comprising the Government Reporting Entity as published in Volume 4 of the Public Accounts.

Under the authority of The Auditor General Act, government organizations that are subject to audit include government departments, Crown organizations, government enterprises and recipients of public monies. Pursuant to our legislated mandate, the type of audits and reviews we undertake are as follows:

Attest Audits - attesting to the adequacy, fairness and appropriateness of reports prepared by management (e.g. financial statements).

Compliance with Authority Audits - assessing and commenting on the extent of compliance with government legislation, including regulations and other central government policies.

Investigations - examining financial or operational information relating to allegations of inappropriate situations or practices.

Value-for-Money Audits - assessing and commenting on the efficiency, economy and effectiveness with which government organizations use their resources to accomplish intended outcomes.

Governance Reviews - assessing and commenting on public sector reforms, as well as the board governance of various public sector and government funded entities.

Performance Reporting - assessing and commenting on business planning/strategic planning and performance measurement within government organizations, and the quality of accountability information submitted to the Legislative Assembly.

Special Audits - requested by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts. The nature of this work will vary and includes the range of our audit services.

Joint Audits - conducting audits with a legislative auditor from another level of government in relation to any provincial funds that are spent under a joint initiative with another jurisdiction.

In addition to these specific services, we strive to:

- encourage discussion and debate regarding public sector management and accountability issues;
- assist the Public Accounts Committee;
- develop professionals for Public Service; and
- support, adhere and promote the accounting and assurance standards as recommended by the Canadian Institute of Chartered Accountants.

Through our work and reports we encourage public accountability and transparency. We also promote our firm belief that a special duty of care is owed to the citizens of Manitoba by those charged with managing public monies and those receiving public monies.

Clients

Our clients are the Members of the Legislative Assembly (MLAs), and through them, the citizens of Manitoba.

Those who additionally benefit from our services include Deputy Ministers, Departmental Managers, and representatives of Crown Corporations and government agencies.

Clients' Needs

Our clients expect:

- Non-partisan advice and assurance;
- Accurate and timely reporting of audit/review findings;
- Effective and broad-based communication of audit/review findings;
- Reports which provide practical and fair recommendations; and
- Audits and reviews that focus on significant public sector issues.

Key Risks

Risk Management is the process of making and carrying out decisions that will minimize the effects of possible adverse events (risks) upon the goals and objectives of an entity.

Our Office utilizes sound risk management practices to ensure that we meet our objectives and achieve our goals. We have established control systems to reduce the likelihood that risks would adversely affect our ability to achieve our goals and objectives, while fulfilling our responsibilities under The Auditor General Act.

The following are our key risks and how we are poised to mitigate those risks:

Loss of Independence

- We consider a loss or a perceived loss of our independence to be a risk. We believe that we can address this risk by ensuring that we operate in accordance with our Act without fear of reprisal. The Act provides us with our examination parameters. As an Office we carefully guard our independence.

Loss of Credibility

- Stakeholders trust and value our assurance and advice. We are cognizant that we must gain and keep that trust and ensure that our work and our reports are valued. We strive to do this by ensuring the quality and accuracy of our work and communications. Quality Assurance practices are established in our Office and we continue to seek ways to strengthen these practices.

Lack of Relevance of Work

- In order for our work to be beneficial to our clients, we must ensure that our reports are meaningful to them. We do this by ensuring our reports deal with topics of interest to legislators and citizens of Manitoba; are written using clear, understandable language; and provide sufficient background information to help the reader understand the significance of reported issues. As well, we maintain an awareness of the issues important to legislators and the citizens of Manitoba.

Lack of Resources and Competencies

- The quality of our assurance and advice is dependent on the knowledge, skills and ability of our employees. We offer training and professional development opportunities to ensure that they have the competencies to perform their responsibilities in an effective and efficient manner. When necessary, we supplement our in-house skills with external consultants that bring specialist knowledge required for certain assignments.

- We need the support of legislators to obtain the required resources. We annually present a

financial plan to the Legislative Assembly Management Commission to request needed resources. If we do not have sufficient resources to pay for the cost of our work force, we would have to reduce the number of employees. In this event, we would be required to consider whether to advise the Legislative Assembly that we had insufficient resources to carry out our legislative mandate.

Reporting Process

To help ensure the factual accuracy of our observations and conclusions, staff from our Office maintain ongoing communication with senior management throughout an audit or review. Before beginning the work, our staff meet with them to discuss the objectives, criteria, and focus of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with them. Management provides written responses to our recommendations and these are discussed and incorporated into the final draft report.

Final reports of the Office are submitted to the Speaker for tabling with the Legislative Assembly. Each report is automatically referred to the Standing Committee on Public Accounts.

Achieving Our Vision, Mission and Legislative Mandate

This framework provides a synopsis of the link between our vision, mission, legislative mandate and our activities, and outputs, to our strategic desired outcome of improved public sector accountability, operating performance, governance and management practice.

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Auditor General will contribute to greater public trust and confidence in the institutions of government.

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To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

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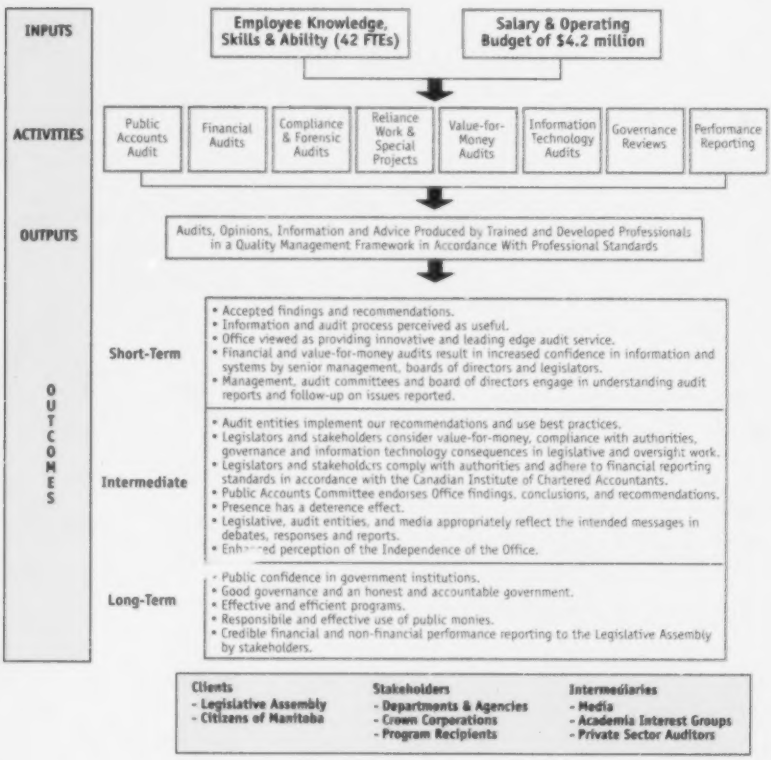
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Employee Knowledge, Skills & Ability (42 FTEs)
Salary & Operating Budget of $4.2 million
ACTIVITIES
Public Accounts Audit
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OUTPUTS
Audits, Opinions, Information and Advice Produced by Trained and Developed Professionals in a Quality Management Framework in Accordance With Professional Standards
OUTCOMES
Short-Term
• Accepted findings and recommendations.
• Information and audit process perceived as useful.
• Office viewed as providing innovative and leading edge audit service.
• Financial and value-for-money audits result in increased confidence in information and systems by senior management, boards of directors and legislators.
• Management, audit committees and board of directors engage in understanding audit reports and follow-up on issues reported.
Intermediate
• Audit entities implement our recommendations and use best practices.
• Legislators and stakeholders consider value-for-money, compliance with authorities, governance and information technology consequences in legislative and oversight work.
• Legislators and stakeholders comply with authorities and adhere to financial reporting standards in accordance with the Canadian Institute of Chartered Accountants.
• Public Accounts Committee endorses Office findings, conclusions, and recommendations.
• Presence has a deterence effect.
• Legislative, audit entities, and media appropriately reflect the intended messages in debates, responses and reports.
• Enhanced perception of the Independence of the Office.
Long-Term
• Public confidence in government institutions.
• Good governance and an honest and accountable government.
• Effective and efficient programs.
• Responsibile and effective use of public monies.
• Credible financial and non-financial performance reporting to the Legislative Assembly by stakeholders.
Clients
- Legislative Assembly
- Citizens of Manitoba
Stakeholders
- Departments & Agencies
- Crown Corporations
- Program Recipients
Intermediaries
- Media
- Academia Interest Groups
- Private Sector Auditors

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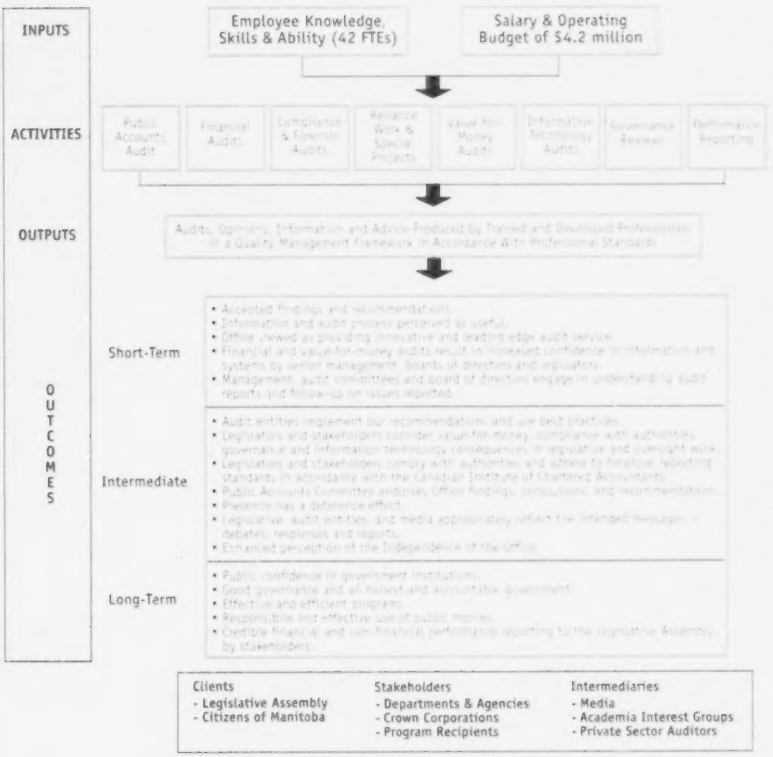
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The Auditor General Act

The Auditor General Act

Effective May 1, 2002 a new Act was proclaimed governing the activities of this Office. The new statute is called The Auditor General Act. The Auditor General Act replaces The Provincial Auditor's Act which was enacted in 1969.

The Auditor General Act modernizes the legislation governing the work of legislative auditors. The new legislation reflects current trends and practises in legislative auditing and clarifies certain provisions that needed to be expressed in clearer terms.

The new legislation is intended to achieve the following objectives:

- Strengthening accountability and independence of the Office of the Auditor General;
- Clarifying the mandate of the Auditor General;
- Strengthening the Auditor General's access to information; and
- Ensuring confidentiality of the Auditor General's work.

A comparison between previous legislation and the new Act is presented in the accompanying table.

The full Auditor General Act is reproduced in Appendix D.

Highlights from The Auditor General Act Proclaimed May 1, 2002

Subject	*Previous Legislation*	*The Auditor General Act*
Appointment of the Provincial Auditor	• The Provincial Auditor is appointed by the Lieutenant Governor in Council (L.G. in C.).	• The Standing Committee of the Legislative Assembly on Privileges and Elections would recommend to the Lieutenant Governor in Council (L.G. in C.) the appointment of the Auditor General.
Speaker to Table Audit Reports	• The Provincial Auditor's reports are submitted to the Minister of Finance and are forwarded to the L.G. in C. who lays them before the Assembly.	• All reports from the Auditor General will be submitted to the Speaker of the Legislative Assembly for distribution to all members.
Referral of Audit Reports to Public Accounts Committee	• No provision regarding the referral of reports to the Public Accounts Committee.	• The Auditor General's reports that are tabled in the Legislative Assembly shall be referred to the Standing Committee on Public Accounts.
Request for Special Audits	• Only the L.G. in C. or the Minister of Finance can request special audits.	• The L.G. in C., the Minister of Finance or the Public Accounts Committee of the Legislature may request the Auditor General to undertake a special audit.
Audit of Provincial Auditor's Office	• Executive Council (Cabinet) appoints the auditor who examines and audits the Provincial Auditor's Office.	• The Legislative Assembly Management Commission shall appoint an auditor to examine and audit the Auditor General's Office.
Ineligibility to Hold Public Office	• No provision in the previous Act.	• The Auditor General and Deputy Auditor General may not be elected as members of the Legislative Assembly, nor hold any other public office or engage in any partisan political activity.
Annual Report on Operations of the Office	• No existing provision. However, the Provincial Auditor's Office has, as a matter of practice, submitted to the Assembly an annual operations report.	• Before August 1st in each year, the Auditor General must submit to the Speaker of the Legislature an annual report on the operations of the Office.
Mandate of Provincial Auditor	• The wording of the previous provisions is ambiguous.	• The Auditor General's duties are clarified to include reporting on compliance, economy and efficiency with which public resources are being utilized. • As well, the legislation would enable the Auditor General to report on the quality of accountability information submitted to the Assembly.
Auditing Recipients of Public Money	• The previous definition of recipient of public money is limited to those who receive grants or an advance or those who borrow or receive a guarantee from the Crown.	• The definition of recipient of public money is expanded to include those who receive tax credits on the transfer of property from government.
Authority of Provincial Auditor in Relation to External Auditors	• No provision in the previous Act.	• Where crown corporations or government agencies use external auditors for financial statement audits, the Auditor General is empowered to: review the scope of an external financial statement audit, to require changes to be made to the scope or to require additional examinations.
Joint Audits	• No provision in the previous Act.	• The Auditor General would be authorized to undertake joint audits with a legislative auditor from another level of government in relation to any provincial funds that are spent under a joint initiative with any jurisdiction.

Highlights from The Auditor General Act Proclaimed May 1, 2002 (cont'd.)

Subject	*Previous Legislation*	*The Auditor General Act*
Access to Information	• The provisions seem to limit the Provincial Auditor to only being able to obtain information from a government agency. The Provincial Auditor has the power to examine any person under oath, however, it is not clear if this examination extends to the ability to request that certain records be supplied to the Auditor.	• The legislation clarifies the Auditor General's right to access information from any person, organization or other body that the Auditor General believes on reasonable grounds may have the relevant information.
Penalty for Recipients Obstructing Auditors	• No provision in the previous Act.	• A recipient of public money who obstructs or provides false or misleading information to the Office of the Auditor General is liable on summary conviction to a fine of not more than $10,000.
Audit Working Papers Confidential	• No provision in the previous Act.	• Audit working papers shall not be laid before the Legislative Assembly or any of its committees.
Secrecy Except in Certain Circumstances	• No provision in the previous Act.	• Information obtained during the course of an audit shall remain confidential subject to: - the Auditor General's right to report on any matter; - a legal proceeding; or - a requirement to release information in connection with the proper administration of this Act.

Highlights of Reports Issued and Projects Underway

Audit of the Public Accounts

December 2002

Our 2002 Public Accounts Report to the Legislative Assembly noted some significant changes in financial reporting made by the Government of Manitoba pursuant to our earlier recommendations:

- The Government continued to improve the financial statement disclosure in the Summary Financial Statements in a number of areas such as transactions and balances with Government Enterprises including guarantees and guarantee fees, Government supported pension plans, sinking fund assets identification by organization and portfolio investment revenue; and
- The Government also disclosed information using several key financial indicators to reflect the sustainability, flexibility, and vulnerability of government programming within the context of the Province's debt capacity.

We also made a number of new recommendations:

- That the Government consider introducing amendments to The Financial Administration Act to require Canadian Public Sector Accounting Standards for Senior Governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), without exceptions, be the basis of all government financial reporting including the Summary Financial Statements, the Summary Budget and the Quarterly Reports;
- That Internal Audit and Consulting Services take a lead role on an annual basis to review and test controls in departments related to the government wide information system (SAP) for accounting, logistics and human resource processes; and
- That the Government determine whether a legislative amendment to create a Pension Assets Fund is required. The Fund would be used to reflect the assets designated for the retirement of

the pension liability and therefore be properly included in total assets and accumulated (deficits) surpluses in the Special Purpose (Operating Fund) Financial Statements.

In our Report we continued to reiterate the following recommendations to improve the financial reporting of the Public Accounts:

- That the Government make the Summary Budget its primary tool for explaining its financial plans to the citizens of Manitoba. This would be consistent with the decision taken by Government to make the Summary Financial Statements its primary financial reporting tool. In essence, this would mean framing the annual budget documents around the Summary Budget, with the Operating Fund budget being shown in a subsidiary context to demonstrate how the government plans to comply with the Balanced Budget legislation and to highlight those expenditures that will require legislative approval. Similarly, the quarterly reports of the Province, a financial reporting tool, should be modified to reflect actual expenditures on the same basis as the Summary Budget;
- That the Government record infrastructure such as highways, bridges and land acquired for public use, as tangible capital assets; and
- That the Government change its accounting policies to record changes in accounting policies retroactively and restate prior year balances so that financial results are presented on a comparable basis between years.

Other significant sections in our Report included:

- The new Auditor General Act and the changes regarding our role and relationship with private sector auditors engaged to audit entities within the Government Reporting Entity (of the Public Accounts);
- An outline of our independence and objectivity as legislative auditors;
- Our involvement in the audit of the federal accounting error conducted by the Office of the Auditor General of Canada including information about the nature of the error and how it was detected;

- Our audit opinion on Manitoba's Health Report Card issued by the Department of Health in September 2002:
  - An audit was conducted concurrently and in cooperation with the Offices of the Auditors General of all other Federal, Provincial and territorial jurisdictions of Canada as members of the Canadian Council of Legislative Auditors (CCOLA). This audit was the first national audit of performance measure reporting by governments in Canada. Our office expects to audit the next iteration of the report, to be issued in November of 2004;
- Our update on the status of the reform of the Public Accounts Committee;
- Issues we noted with respect to compliance with authority and agreements;
- A description of the provisions in Balanced Budget Legislation and the Fiscal Stabilization Fund Act;
- A follow-up on the SAP 4.6b upgrade; and
- A summary of future CICA Handbook sections both in accounting and assurance which may effect the financial reporting of the Public Accounts.

Compliance and Special Audits

June 2002

Compliance and Forensic Services issued a report on the Investigation of Missing Artifacts at the Anthropology Museum of the University of Winnipeg. This report reviewed allegations concerning the inappropriate removal and disposition of aboriginal artifacts from the ethnological collection of the Museum in contravention of the Anthropology Museum Policy Manual. The report highlighted that inventory controls and documentation over the ethnological artifact collection were not sufficient to ensure that

the collection was adequately safeguarded, and that the Museum deaccessioned many artifacts in a manner contrary to accepted practice and contrary to its own Museum Policy Manual.

October 2002

Compliance and Forensic Services issued a report on the Investigation of the Rural Municipality of St. Clements and a Review of Municipal Financial Accounting and Reporting Standards in Manitoba. This report consisted of the following two chapters:

Chapter I: Investigation of the Rural Municipality of St. Clements

This chapter detailed our findings, conclusions and recommendations regarding issues of non-compliance with sections of The Municipal Act with respect to By-Laws, public participation, and the timing of seeking Municipal Board approval where required. The report also discusses issues with respect to the reliability and transparency of the Rural Municipality of St. Clements financial plans and financial statements.

Chapter II: Review of Municipal Financial Accounting and Reporting Standards in Manitoba

This chapter detailed our findings, conclusions and recommendations regarding our review of municipal financial accounting and reporting requirements in Manitoba. We found that municipalities are not following generally accepted accounting principles in their reporting to citizens and, in this respect, are not complying with The Municipal Act.

March 2003

Compliance and Forensic Services issued a report on the Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability in Manitoba. This report included a review of the operations of the Dakota Tipi First Nation Gaming Commission (DTGC) and on-reserve gaming revenues which includes charitable gaming and VLT gaming proceeds; and a review of the First Nation Gaming Governance and Accountability Framework in the Province.

The Province, through the Manitoba Gaming Control Commission (MGCC), had contracted with Deloitte &

Touche LLP (D&T) to conduct the review of the allegations of DTGC gaming revenue misuse. The results of D&T's work were incorporated with the work done by our Office for this report.

This report highlighted that the DTGC did not operate in compliance with its charitable gaming agreement with the Province, and as a result of an absence of responsible governance, there was virtually no accountability over the raising and spending of gaming revenues and an almost complete lack of transparency to the members of the Dakota Tipi First Nation community.

Our report also included a number of recommendations that would provide MGCC with the necessary authority needed to fulfil its intent and purpose. Our detailed findings, conclusions and recommendations were released in a report to the legislature in May 2003.

March 2003

During the summer of 2003, the Office will be releasing a consolidation of reports completed during the past year under the heading *"Compliance and Special Projects"*. This consolidation will include chapters on the following:

- Family Services and Housing, Child Protection and Support Services;
- A Review of the Student Records Section of the Professional Certification and Student Records Unit;
- Computer Security Incident Response Capability;
- Information Technology Organization;
- Northern Manitoba Community Councils' Financial Reporting Standards; and
- University of Winnipeg Financial Review.

Projects Underway

Compliance and Forensic Services have the following projects underway where the field work has been completed and reports are planned to be issued in the summer of 2003:

- An investigation into concerns relating to the resettlement of Hecla Island.
- A review of allegations concerning the Collège de Saint-Boniface.

Compliance and Forensic Services also have the following projects underway where reports are planned to be issued in fall/winter of 2003:

- An investigation into allegations of inappropriate tendering and purchasing practices within the Maintenance Branch of the Manitoba Housing Authority;
- A review to determine if the Child Day Care Branch is being administered in accordance with the Community Child Day Care Standards Act, Regulation 62/86, and with the policies set out by the Child Day Care Branch; and
- An investigation into allegations of the inappropriate use of government funding concerning an organization which provides community based programs and services to Manitobans of all ages living with a disability.

Value-For-Money Audits

September 2002

In September 2002 we issued a report on the Student Financial Assistance Program. Our audit examined whether only eligible students were receiving financial assistance and only in the amounts to which they were entitled; whether this Program was maximizing the collection of student financial assistance repayable to the Province; and whether designation status for post-secondary educational institutions was appropriately granted and monitored. The audit resulted in 54 recommendations. Our key findings are briefly discussed below.

The audit found that a lack of verification procedures by the Program resulted in student loans being awarded in amounts that exceeded the applicant's entitlement. The audit noted that this was partly due to the Program accepting at face value the information provided by loan applicants regarding their income, financial assets, the existence and value of vehicles, and when applicable, parental income. As well, the Program sometimes failed to obtain

information on enrollment changes. While the Program's processes detected and initiated corrective actions for some over awards, the audit found several undetected over awards for the 1998/99 academic year, totaling approximately $93,000. Consequently, we estimated, based on the sampling results, that the total amount of undetected over awards for that academic year, was likely $9 million.

The audit noted that $4.8 million of loans, mostly issued before 1995, had been written off between March 1999 and March 2001. Further, Program records indicated that the amount of provincially guaranteed student loans in default, as at March 31, 2001, totaled approximately $4 million. Between January 1995 and July 2000, provincially guaranteed student loans were a small proportion of all loans issued and were typically the higher risk loans. During this period, contracted financial institutions assumed the risk of most loans in return for a risk premium. The amount of any defaulted loans administered by the financial institutions, and not guaranteed by the Province, was not available to the Program.

Given that the Program now funds all new loans, the effective management of the collection activity has significantly increased in importance. Our audit found that, for the defaulted loans guaranteed by the Province, the Program needed to be more diligent in seeking repayment. We found that the collection actions taken by the Program were very passive and, based on the collection results of the accounts examined in the audit, not very effective.

In delivering its services, the Program relied on educational institutions for, among other things, confirming enrolment and communicating significant changes to enrolment. The report discussed opportunities for the Program to better manage its relationship with educational institutions to ensure Program information needs were adequately met.

December 2002

In December 2002 we issued a report that was comprised of a chapter on our audit of the Public Housing Program, and a chapter on our audit of the Assiniboine Community College.

AUDIT OF THE PUBLIC HOUSING PROGRAM

Our audit of the Public Housing Program examined a number of areas including maintenance, the eligibility of tenants, tenant placement, vacancy and arrears management, and the monitoring of sponsor managed housing projects. Our report included 40 recommendations. Our key findings are briefly discussed below.

We concluded that the results of our sample of visual inspections, overall, spoke well of the efforts of the Department in maintaining housing projects to an appropriate level. The housing projects that we inspected were either in good or fair overall condition, even though certain of the building components in a few of the projects were judged to be in poor condition. However, we expressed concern that the Department and the Manitoba Housing Authority would find it difficult to maintain this condition level as the housing stock ages. This is because key processes do not generate essential information needed by the Department to ensure its decisions maximized the benefit obtained from available funds. Of note was the need for comprehensive building inspections, for objective criteria to prioritize building functionality repairs, and for a structured and documented preventive maintenance process.

The Public Housing audit report also noted that actionable vacancies continued to represent a significant opportunity to the Province. We estimated that, from 1998 to 2001, revenue lost was $12.3 million. Management identified a number of initiatives to address vacancies, but documented action plans for problem housing projects were not developed. We also found that since 1997/98, the write-off of past tenant arrears relating to former Employment Income Assistance (EIA) tenants represented a real cost to the Province estimated at $764,000. We noted that while the opportunity existed, the Department had not required that all EIA tenants have their rent paid directly by the EIA program, a program that is now housed in the same department.

AUDIT OF THE ASSINIBOINE COMMUNITY COLLEGE

Our audit of the Assiniboine Community College examined the College's investment in information technology. Our report included 24 recommendations. Our key findings are briefly discussed below.

We observed that the College was managing its Information Technology (IT) department with due regard for economy, and given the funding levels provided, with a concern for efficiency and effectiveness. However, we concluded that there was a need for better defined and documented policies and processes. A primary need was for the development of a multi-year IT strategic plan.

We reported that additional effort was required to ensure IT services and systems adequately meet the needs of users. We raised concerns regarding the quality of information generated by the student information system and the management of assistance and change requests.

We also noted that while our audit procedures on a sample of IT purchases confirmed that the College selected the lowest cost proposals that met the College's requirements, the analyses performed by College staff to support decisions were not documented. Finally, we noted that additional actions were required to minimize the risk of unauthorized access to the College's computer networks.

Projects Underway

- Protection of Well Water Quality in Manitoba,
- Home Care,
- Red River College, Information Technology,
- Epidemiology Unit,
- Special Operating Agencies, and
- Management of Travel.

Governance Services

December 2002

In December 2002 the Auditor General released a report entitled, *Performance Reporting In Annual Reports: Current Practices Among Crown Entities.* The report contains an assessment of a sample of 40% of 2000/01 annual reports of Crown entities in relation to a set of criteria or attributes of effective performance information. The report concluded that the annual reports of Crown entities have a long way to go to meet the attributes described in the report.

One of the findings in the report is that while reporting on performance requires strengthening, there is widespread support among the Crowns we interviewed for strategic planning, performance measurement and reporting.

Included in our recommendations is that government develop a common set of guidelines for annual reporting by Crown entities that reflect the attributes of effective performance information contained in the report.

January 2003

In January 2003, the Auditor General released a report entitled, *An Examination of RHA Governance in Manitoba.* This report, the third in our series studying the state of governance in Manitoba public sector organizations, examined the board governance practices of Manitoba's Regional Health Authorities (RHAs). The report raised a number of questions based on the anomalies reported between current RHA board practices and the Model of Governance developed by our Office, based on best practices and leading perspectives in board governance research.

Our findings, based on a survey of all RHA board members and Chief Executive Officers (CEOs), indicated that RHA board members are highly committed and care about their RHA's contribution to the community. RHA boards feel that they adequately consider the interests of all key stakeholders in making their decisions and view themselves to be most accountable to the residents of their region. However,

the majority of RHA board members and CEOs perceive that the purpose of RHA boards and regionalization is not well understood by Manitobans. There was also a clear indication from RHA board members and CEOs that the expectations between government and the RHA boards need to be more clearly defined and that the shared authorities between RHAs and Manitoba Health lead to ambiguities in their roles. There is a perception that RHAs do not have sufficient influence over provincial health policy decisions that affect their region.

Our Office believes that effective governance can contribute a great deal to organizational effectiveness and stronger accountability processes. The purpose of this report is to stimulate a meaningful dialogue among all Manitobans involved with and interested in RHAs, in order to enhance the contribution that effective RHA boards can make to our community and to healthcare in Manitoba.

Project Underway

- Crown Corporations Council Review.

Information Technology Audit Services

Field Work Completed

The fieldwork for the following reports was completed during 2002/03. These reports are scheduled for release in 2003:

- The Computer Security Incident Response Capability Report. The report will examine the capability of the Province to respond to computer security incidents occurring at Departments.
- A Report on the Information Technology Organization in government. The report will examine the governance of Information Technology.

- Computer security at Collège de Saint-Boniface. The report will form part of a larger report and will identify opportunities to improve computer security controls.

Projects Underway

- A review of the management of software licensing in the Province.
- Updating of the Office methodology for assessing computer controls as part of the audit of financial statements.
- Review of computer controls over new computer systems supporting taxation programs.
- Review of the controls over the technological infrastructure supporting the enterprise-wide computer system that provides Departments with integrated finance, procurement, human resources, and payroll applications.

Service Groups

Financial Statement Audit Services

Financial Statement Services strives to provide effective, efficient and economical attest services to our clients. These services include:

- Providing opinions on annual financial statements, special reports, and public sector compensation disclosures;
- Issuing client management letters to provide financial, internal control, compliance, or general operational recommendations;
- Conducting overviews of government entities, which may also encompass file reviews of their private sector auditors. This work is necessary for our reliance on the work of the private sector firms for consolidation of their clients' financial statements into the Summary Financial Statements for the Province;
- Completing special reports on financial information, including claims; and
- Reviewing compliance with legislation to the extent required for the issuance of financial statement opinions.

The Financial Statement Services group conducts project audits that are selected to complement the financial expertise of employees and focus on grant accountability and financial statement issues regarding financial statements of provincially funded entities.

Our Accomplishments – 2002/03

- Provided in excess of 100 attest audit opinions, and conducted partnered audits and overviews on a timely basis. (See Appendix A for Financial Statement Audits Within the Government Reporting Entity Conducted by the Auditor General's Office, and Appendix B for Other Financial Statement Audits Conducted by the Auditor General's Office.)
- Issued audit opinions on the Public Accounts of Manitoba in accordance with the statutory

GOALS

Assess whether accountability information provided by the Government to the Legislative Assembly and the public is fair and reliable.

Promote adoption of Canadian Institute of Chartered Accountants (CICA) and Public Sector Accounting Board (PSAB) standards across all audit entities.

Identify/monitor emerging issues of public sector significance.

Strengthen the role and functions of the Public Accounts Committee in relation to this office.

deadline and issued the Audit of the Public Accounts Report to the Legislative Assembly in December 2002.

- Provided an attest opinion on the Labour Market Development Agreement (LMDA) between the Government of Canada and the Government of Manitoba for the year ended March 31, 2002.
- Completed a review of School Division Financial Accounting and Reporting in the Province of Manitoba. The report will be issued in 2003.
- Initiated work on a review of Regional Health Authority Financial Accounting and Reporting in the Province of Manitoba. The report will be issued in 2003.
- Presentations to groups of external auditors, chief financial officers, and internal auditors of crown entities comprising the Government Reporting Entity regarding the changes in our role and responsibilities under the new Auditor General Act.
- We continued to review the Audit Information Systems (AIS) module in SAP to assist us in examining information produced by SAP. We continue to work with information systems personnel in the Province to configure AIS for our use.
- Provided comments on a number of accounting and auditing research papers issued by the Public Sector Accounting Board (PSAB) and the International Federation of Accountants.
- Finalized four special audits addressing financial reporting and grant accountability issues during the year. Our reports will be issued during 2003/04.
- Continue to increase the number of management letters issued for attest audit clients.
- Developed a brochure on Audit Committees in the public sector for reference within the Government Reporting Entity.
- Conducted several presentations to Boards, Finance Committees and Audit Committees of government reporting entities on: the role of the Office of the Auditor General; audit plans for the various entities; and Finance Committee and

PRIORITIES FOR 2003/04

Provide attest audit services for public sector entities.

Conduct scheduled revenue and overview audits as planned.

Complete scheduled special project work.

Provide responsive service for special request assignments.

Conduct a review of accounting standards followed by Regional Health Authorities in Manitoba.

Conduct special audit of post-secondary funding in Manitoba.

Expand the use of information technology in the performance of attest assignments.

Issue requests for proposal for selected attest audit partnering arrangements.

Financial Statement Audit Services

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- Developed a brochure on Audit Committees in the public sector for reference within the Government Reporting Entity.
- Conducted several presentations to Boards, Finance Committees and Audit Committees of government reporting entities on: the role of the Office of the Auditor General; audit plans for the various entities; and Finance Committee and

Audit Committee governance issues.

- Responded to increasing requests for assistance on financial issues from government departments, crown corporations, and agencies.
- Participated in Canadian Council of Legislative Auditors (CCOLA) strategic issue information exchanges.
- We completed a report on accounting standards followed by municipalities in Manitoba. We made several recommendations to improve accountability for municipalities.
- Continued to provide auditor opinions on the annual financial statements and public sector compensation disclosure reports issued by our clients. We also continued to work in partnership with several of the private audit firms as our agent in providing some of these services.
- Developed a comprehensive program for our work with private sector auditors in accordance with our mandate approved in May 2002 in The Auditor General Act.
- Issued management letters to many of our attest audit clients, providing financial, internal control, compliance and general operational recommendations.
- Substantially increased our communications with Boards and Audit Committees, to enhance their understanding of our Office, our specific audit plans for the various entities, and report on our independence.
- Updated our financial statement attest methodology to incorporate most recent accounting and auditing standards based on the CICA's Professional Engagement Manual.

Information Technology Audit Services

GOAL

Provide assessments and advice, regarding the management of information technology, to the Legislative Assembly.

PRIORITIES FOR 2003/04

Complete projects underway.

Conduct information technology audits identified in Office operations plan for 2003/04.

Information Technology (IT) Audit Services conducts audits that include the following:

- Controls over information technology;
- The economy and efficiency with which information technology resources are managed; and
- The effectiveness of information technology initiatives within government.

In addition, assistance is provided to other Service Groups in the Office. This assistance consists of gathering audit evidence electronically and assessing automated controls to support audit opinions of financial and other information.

Our Accomplishments - 2002/03

- Completed an audit of the Province's capability to respond to computer security incidents.
- Completed a review of the organizational structure for managing information technology regarding Departments.
- Completed an audit of the computer security practices at an educational institution.
- Participated in the audit of the Health Indicators Report Card.
- Participated in the Public Accounts audit review of SAP controls.

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Compliance and Forensic Audit Services

Compliance with authority audits involve assessing and commenting on the extent of compliance with government legislation, including regulations and other central government policies. Forensic Services involves the detailed review and assessment of financial and other information in order to determine whether inappropriate transactions or activities have taken place. The work of Compliance and Forensic Audit Services has continued to expand since this group was established in our Office in late 1999, as a result of increasing demand for both compliance and forensic services.

Although additional resources were allocated to Compliance and Forensic Audit Services in 2002/03 from within our Office, further resources for the Office overall are needed in order to ensure issues being brought to our attention can be addressed in a timely and effective manner.

GOAL

Assess directly, and provide advice to the Legislative Assembly on significant compliance and forensic matters in a timely, effective and economical manner.

Our Accomplishments – 2002/03

- Publicly released reports to the legislature on the following projects:
  - Investigation of Missing Artifacts at the Anthropology Museum of the University of Winnipeg;
  - Investigation of the Rural Municipality of St. Clements and a Review of Municipal Financial Accounting and Reporting Standards in Manitoba; and
  - A review of the Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability in Manitoba.
- Recommendations put forward to the Province on the Dakota Tipi project were incorporated into draft legislation for the regulation of gaming in Manitoba that was initially tabled in the spring of 2003, prior to the spring 2003 election.

- Completed the field work on three other projects where reports are planned to be issued in the summer of 2003.
- Began the planning and/or field work on three other projects where reports are planned to be issued in the fall/winter of 2003.
- Attended several meetings with citizens on issues of concern, and conducted preliminary assessments of issues received.
- Successfully partnered with external experts in specialized subject areas in conducting our investigations and audits.
- Successfully conducted an investigation with the expertise of a senior staff member of the Office of the Auditor General of Canada.
- Increased use of information technology in the performance of analytical work.
- Three members of Compliance and Forensic Audit Services now have the Certified Fraud Examiner's (CFE) designation.
- Participated in a Control and Audit Gaming Forum with other Legislative Auditors from across Canada.
- Continued development of a Compliance Audit Manual.

PRIORITIES FOR 2003/04

Provide responsive service for special request assignments.

Conduct scheduled compliance audits as planned.

Increase resources for the performance of Compliance with Authority audits.

Expanding the use of information technology in the performance of compliance and forensic assignments.

Complete the development of a Compliance Audit Manual.

Compliance and Forensic Audit Services

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- Completed the field work on three other projects where reports are planned to be issued in the summer of 2003.
- Began the planning and/or field work on three other projects where reports are planned to be issued in the fall/winter of 2003.
- Attended several meetings with citizens on issues of concern, and conducted preliminary assessments of issues received.
- Successfully partnered with external experts in specialized subject areas in conducting our investigations and audits.
- Successfully conducted an investigation with the expertise of a senior staff member of the Office of the Auditor General of Canada.
- Increased use of information technology in the performance of analytical work.
- Three members of Compliance and Forensic Audit Services now have the Certified Fraud Examiner's (CFE) designation.
- Participated in a Control and Audit Gaming Forum with other Legislative Auditors from across Canada.
- Continued development of a Compliance Audit Manual.

PRIORITIES FOR 2003/04

Provide responsive service for special request assignments.

Conduct scheduled compliance audits as planned.

Increase resources for the performance of Compliance with Authority audits.

Expanding the use of information technology in the performance of compliance and forensic assignments.

Complete the development of a Compliance Audit Manual.

Value-For-Money Audit Services

Value-for-Money (VFM) or performance auditing examines management practices, controls and reporting systems with a focus on results. In an effort to ensure that the work of Value-For-Money Audit Services is viewed as value-added by the Legislative Assembly and the general public, we strive to:

- Select organizations or programs to examine which manage considerable public resources or which have a significant impact on their stakeholders and the public in general; and
- Design our examinations in such a way that we focus on the key result areas of the organization or program, and further, within these key result areas, on those aspects at greatest risk of not being managed with due regard for efficiency, effectiveness and economy.

GOAL

Assess directly and provide advice to the Legislative Assembly on Government performance in a timely, effective and economical manner.

We believe that to be value-added, our services must be responsive to the concerns of members of the Legislative Assembly, as well as government organizations and program administrators. Focussing on risks and key result areas, and engaging these parties in the audit process, will help ensure our findings and recommendations contribute to improving government operations in critical areas.

We will analyze the information and assess whether the results achieved indicate weaknesses in the supporting processes, systems and resource base. In examining these processes/systems we would look for:

- Inefficiencies (e.g., duplication of effort, failure to appropriately use IT);
- Lack of due regard for economy;
- Whether key activities are in place and functioning as intended;
- Adequacy of controls to safeguard assets from theft or misuse; and
- Adequacy of controls to ensure compliance with related Acts or regulations.

Because our work is increasingly focussed on organizational performance, several factors can have an impact on what we accomplish. These factors include the extent to which:

1. Clearly stated and measurable performance expectations have been established by government organizations. Such expectations are the determinants of "value" for a given program. For the level of inputs provided (i.e., resources), policy makers must be very clear on the objectives to be achieved in terms of outputs and outcomes, and the indicators to be used to determine if expected results have been achieved. Objectives and indicators must deal comprehensively and explicitly with expectations regarding operational efficiency (standards), economy and effectiveness;

2. Appropriately detailed performance information has been gathered and analyzed by government organizations (related to the objectives and indicators);

3. Processes and performance have been benchmarked with comparable programs in comparable jurisdictions; and

4. Access to information and client staff resources is provided in a timely manner.

PRIORITIES FOR 2003/04

Conduct scheduled VFM audits as planned.

Complete projects underway.

Update the Value-For-Money audit methodology.

Engage representatives from the Canadian Council of Legislative Auditors to conduct a Quality Assurance review on a value-for-money audit engagement.

Conduct our audits within a more compressed timeframe.

Our Accomplishments - 2002/03

We undertook the following:

- Issued three audit reports:
  - The Student Financial Assistance Program (September),
  - The Public Housing Program (December),
  - The Assiniboine Community College (December).

- Began work on six other audits. We plan to issue our reports on these audits in 2003/04:
  - Protection of Well Water Quality in Manitoba,
  - Home Care,
  - Red River College, Information Technology,
  - Epidemiology Unit,
  - Special Operating Agencies,
  - Management of Travel.

- Continued our efforts to increase the efficiency and effectiveness of our audit processes. We conducted a number of post audit reviews and identified opportunities to improve our planning and examination processes.

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Governance Services

Governance Services provides assessments and advice on issues related to:

- board governance of various public sector and government-funded entities;
- the use of business planning and performance measurement within Government Reporting Entities; and
- public sector reform.

Enhancing the effectiveness of management practices in these areas contributes to improved organizational effectiveness and stronger accountability processes of public sector organizations. In this way, the work of Governance Services directly supports the Office's vision of being a leader in building greater public trust and confidence in the accountability of Government to the citizens of Manitoba.

Our Accomplishments - 2002/03

- Completed a review of the performance information contained in the annual reports of a sample of Manitoba's crown entities. Findings and recommendations were released in a report to the Legislative Assembly entitled, *Performance Reporting in Annual Reports: Current Practices Among Crown Entities* (December 2002).
- Prepared *A Guide To Policy Development* (January 2003).
- Issued a report to the Legislative Assembly in January 2003 entitled, *An Examination of RHA Governance in Manitoba*. This board governance review was based on a survey of all board members and CEOs of Manitoba's 12 Regional Health Authorities.
- Completed a review of Council governance practices in the Rural Municipality of St. Clements, in conjunction with the compliance audit conducted by Compliance and Forensic Services.

GOALS

Promote effective board governance and enhanced accountability in the public sector.

Support the use of business planning, performance measurement and performance reporting in the public sector.

- Commenced a review of the Crown Corporations Council. Findings and recommendations from this review are expected to be released in the Fall of 2003.
- Commenced a review of the board governance practices of Collège de Saint-Boniface, in conjunction with the audit conducted by Compliance and Forensic Services.
- At the request of the Royal Winnipeg Ballet Company (which operates partly through public sector funding support), Governance Services is providing advisory services to the Company in its business planning and board governance review process.
- Delivered a presentation on governance and financial accountability to the Annual Convention of the Manitoba Association of School Trustees.
- Prepared a number of speeches on governance and public accountability for delivery by the Auditor General at various conferences.

PRIORITIES FOR 2003/04

Report on the work commenced in 2003 on the Crown Corporations Council.

Utilize the methodology developed for the review of Crown Corporations Council to conduct a similar assessment of another entity to be determined.

Conduct a governance review of public sector pension plan boards.

Continue providing the Royal Winnipeg Ballet with advisory services.

Report on a follow-up on the Government's progress towards implementing recommendations in our July 2000 report on Business Planning and Performance Measurement.

Continue governance research activities by reviewing and updating our Model of Governance and developing an audit protocol for governance reviews.

Act as an internal resource on governance issues as they arise in other audits.

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Professional Practices

Role of Quality Assurance

As a legislative audit office, we are responsible for a comprehensive, legislated audit mandate. In conducting our work we must exercise significant professional judgement and report our findings and opinions. For this reason, we have a strong quality assurance system in place in our Office. We want to ensure the quality and consistency of our judgements. We also want to ensure continued compliance with professional standards and the internal policies established by our Office, and the achievement of overall high quality work.

The Executive Director – Professional Practice – is responsible for the quality assurance system. Our professional staff are first and foremost responsible for maintaining the quality of the work in the office. The quality assurance system includes the following:

- Review process – In this process, files and reports are subjected to internal reviews to ensure that the work performed complies with professional standards and office policies;
- Report pre-issuance procedures and Deputy/ Auditor General concurrence – These procedures help provide assurance that the financial statements and other information are fairly presented and the opinion is appropriate; and
- Report post-issuance reviews - These reviews ensure that the audits are completed in accordance with Office and professional standards.

The role of quality assurance in our Office has expanded beyond the traditional area of financial statement audits to encompass all service areas, reflecting the comprehensive audit mandate of the Office.

External Relations

The Canadian and international audit profession are placing increased emphasis on the important role of

GOALS

To ensure compliance with professional standards and the internal policies established by our Office, and the achievement of overall high quality work.

To ensure that the audit methodology utilized by the Office reflects current Canadian and international standards.

quality assurance in an audit office. The International Federation of Accountants (IFAC) has issued two exposure drafts on proposed quality assurance standards. The Canadian Institute of Chartered Accountants will be proposing standards and guidance that will harmonize Canadian quality assurance standards with the international standards.

Our Office is a member of the Quality Assurance Committee of the Canadian Council of Legislative Auditors (CCOLA). CCOLA recognises the importance of having a quality assurance approach for legislative auditors, and peer reviews that provide offices with assurance that their systems to manage quality with respect to audit engagements are well designed and effective. The goal is to ensure compliance with professional standards and the internal policies established by each legislative audit office. The Committee facilitates review of legislative audit offices by other legislative audit offices. We plan to participate in a peer review of a value-for-money audit file.

The Executive Director, Professional Practice is participating in a working group consisting of legislative audit office representatives from British Columbia, Alberta, Saskatchewan and Manitoba to review Western Canada audit methodologies with the long-term objective of having consistent audit methodologies in all Western provinces.

PRIORITIES FOR 2003/04

Ensure that work continues to be executed in accordance with professional standards and the internal policies established by our Office.

Ensure that TeamMate is successfully implemented and supports the performance of effective, efficient, and economical work conducted in accordance with professional standards and the internal policies established by our Office.

Provide assistance during the conduct of the Value-for-Money file Peer Review.

Work in cooperation and collaboration with representatives from Western Canadian legislative offices toward the long-term objective of having consistent audit methodologies.

Practice Inspection

The Institute of Chartered Accountants in Manitoba routinely conducts practice inspections of audit firms involved in the practice of public accounting as defined in the General Provisions of The Institute of Chartered Accountants of Manitoba By-Laws. As a professional legislative audit office, we voluntarily participate in this process. The objective of an inspection is to ensure compliance with Canadian Institute of Chartered Accountants Standards. In May 2002, the Institute of Chartered Accountants of Manitoba conducted a practice inspection of our Office, which resulted in no significant findings. The next review of the Office will take place in approximately four years from that date.

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Administrative Services

Administrative Services are the support services for the Office. The staff ensure that the accounting and office administration are conducted in an efficient and effective manner. In addition, staff spend time on human resource activities, meetings and planning activities.

In September 2003 the Office will be co-hosting, with the Legislative Assembly Public Accounts Committee, the Canadian Council of Legislative Auditors (CCOLA) national conference in conjunction with the conference of the Canadian Council of Public Accounts Committee (CCPAC).

GOAL

Ensure that the accounting and office administration is conducted in an effective, efficient, amd economical manner.

Our Accomplishments - 2002/03

- Coordinated the preparation of the Office budget and presentation material for the Legislative Assembly Management Commission;
- Prepared monthly financial statement and operations reports;
- Participated in the issuance and evaluation of proposals for the selection of the external auditor for the Office. A contract was awarded in late spring of 2002;
- Coordinated the financial statement audit of the Office;
- Coordinated the preparation of the annual Operations report;
- Coordinated office billing and time systems;
- Drafted an employee orientation manual;
- Continued to expand and develop our internal design and printing capabilities;
- Coordinated external and Office-wide meetings and staff travel;
- Participated on the Professional Development Committee, leading to the development of a professional development program for 2002/03 for the Office;
- Participated on the Sustainable Development Committee, leading to the development of a Sustainable Development Plan for the Office;

- Coordinated the human resource recruitment, orientation and appraisal processes;
- Coordinated Office access and security systems; and
- Provided day-to-day office support.

PRIORITIES FOR 2003/04

Develop a disaster recovery/business continuation plan.

Update the office administration manual.

Coordinate the Joint CCOLA/CCPAC Conference to be held in Winnipeg in September 2003.

Develop a budget presentation for the Legislative Assembly for 2004 budget submissions.

Establish a long-service employee recognition program.

Expand on the internal performance reporting process.

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Computer Services

Computer Services continues to:

- provide support to our office hardware, software, and network services;
- provide reliable, safe systems; and
- support the other service areas in the Office with the development of Computer Assisted Audit Techniques (CAATs), retrieval of information from government systems, and general information technology support.

Our Accomplishments - 2002/03

- Connected our satellite office at the Norquay Building to the network.
- Upgraded Microsoft Office Suite software.
- Completed the development of an Office Intranet.
- Participated in the selection and purchase of an electronic working paper software for implementation in 2003/04.

Modernizing our Audit Methodology and Tools

The Office is implementing the electronic working paper software called TeamMate across all its product groups. This is to:

- facilitate greater knowledge sharing;
- achieve audit efficiencies;
- better integrate quality assurance procedures into audit processes;
- increase real-time management review of audit working papers; and
- promote greater consistency in the structure, office and between its product lines.

A working group has been established to implement TeamMate. The core team members are:

- the Executive Director, Strategic Initiatives;
- the Executive Director, Professional Practices; and
- the Systems Coordinator.

The team is working to achieve full implementation by September 2003.

GOAL

Provide for reliable, effective and secure systems that enable our audit services to achieve their goals.

PRIORITIES FOR 2003/04

Implement the electronic working paper software called "TeamMate".

Roll-out and continue developing the Office Intranet.

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General Operations

Human Resources

The complexity of issues being addressed by the Office is increasing in correlation to the increasing complexities of issues facing the public sector. The future for the Office is exciting, but demands that we maintain strong competencies and skill sets. We need to provide continuous professional development, and to offer competitive salaries and excellent working conditions in order to attract and retain skilled and dedicated employees.

Our Office continues to receive an increasing number of requests from citizens, administration, and members of the Legislative Assembly to provide assistance in reviewing issues they are being to our attention. We are experiencing difficulties in reviewing and addressing these important issues on a timely basis, given our limited staffing resources. The staffing level in the Office has remained relatively constant over a number of years. As well, with the proclamation of The Auditor General Act in May 2002, the offices work has expanded in relation to our financial statement work with private sector auditors.

Monies approved for our Office by the Legislative Assembly Management Committee are not sufficient to enable us to maintain a staffing level equivalent to our approved complement of 53 permanent positions. During 2003/04, we once again plan to request funding from the LAMC for 53 permanent positions.

Some of our HR activities/events were as follows:

- The Office was reorganized late in the fiscal year with the establishment of an Executive Director, Strategic Initiatives position and an Executive Director, Professional Practices position, both reporting to the Deputy Auditor General and Chief Operating Officer. This reorganization recognizes the importance of strategic planning, implementation of electronic working paper software, and audit quality assurance to our office.

- The Office has established a Project Management Team to ensure strategic and operational initiatives and reports are coordinated in an effective and efficient manner.

GOALS

To promote the highest standard of professional capability among staff.

To be responsive to staff.

- Audit Principals were assigned sectors as areas of responsibility for the conduct of all types of audits. This alignment is consistent with the operations of other legislative audit offices in Canada and should achieve benefits in ensuring that Audit Principals achieve stronger sectoral knowledge.
- An audit universe and an audit selection plan were developed from which audits for 2003/04 were selected. Employees will be given the opportunity to work on a variety of audit types and subject matters to supplement their financial statement auditing expertise.
- During 2002/03 material was forwarded to the Civil Service Commission requesting further discussion with the Manitoba Government Employees Union (MGEU) regarding our Office's request for bargaining unit exclusion, similar to that granted to the Internal Audit Department of the Province.
- During 2002/03, initial work was commenced on the development of a Core Competency Model to be used in the hiring and development of employees for our Office. The development should be completed during 2003/04.
- A number of staff meetings were conducted during the year to discuss new initiatives and audit reports.
- During 2002/03 an Office Intranet was being developed for use by employees in the Office. The Intranet was introduced in June 2003.
- The Office participated in the University of Manitoba recruitment initiative through the Manitoba Institute of Chartered Accountants and hired three CA summer students.
- During the year, one staff member obtained her Masters in Business Administration and two others obtained their Certified Fraud Examiners designations. As well, three employees successfully completed both their education and articling requirements, leading to their attainment of the CA designation.
- Two employees were promoted to Audit Principal positions during the current year; one employee

PRIORITIES FOR 2003/04

Provide diverse project work experience for auditors.

Promote multi-disciplinary audit teams.

Conduct an Employee Satisfaction Survey.

Train staff in the use of electronic working paper software.

Begin implementation of a core competency model.

Continue to provide training and professional development opportunities for staff.

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retired after over 25 years of service; two employees left our office for positions outside of government; and two new employees joined our Office.

- The Office coordinated a joint training session in conjunction with the Institute of Internal Auditors in May 2002.
- Our Office partnered with Grant Thornton, LLP for the provision of tax experience for our employees articling for their CA designations.
- An active social committee in the Office planned a number of events that were attended by staff members and their families.

PROFESSIONAL DEVELOPMENT COMMITTEE

The Office continued to provide a quality learning and development environment for all employees. Generally Accepted Auditing Standards require that staff conducting audits have adequate technical training and proficiency in auditing. Our professional staff have a responsibility to keep abreast of current developments in the profession and in the legislative environment.

The Professional Development Committee (Committee) provided training to assist employees in maintaining and enhancing their technical standards and with proficiency in auditing. The training program is developed in accordance with the following objectives:

- Encourage leadership in the development and application of audit and review services;
- Promote the highest standard of professional capabilities among staff; and
- Ensure that Office resources are expended with due regard to value-for-money.

The Committee ensured that training and development opportunities were consistent with areas of strategic importance to the Office and that sufficient training was provided to meet professional educational requirements.

This year the Committee planned and coordinated seven programs, courses and lectures. These covered a wide range of topics including CICA Handbook and PSAB updates, quantitative methods in auditing and the legislative audit environment. Computer training was made available to staff on an "as needed" basis and staff were encouraged to take advantage of self-directed learning opportunities, with the Office covering a portion of the cost.

The Committee also provided a "Sunrise Speaker" series of presentations by speakers from outside of the Office on areas of interest to employees.

For the upcoming year, the Committee will continue with its mandate, and plans to offer a broad range of professional development opportunities. By investing in the professional knowledge of staff, the Office is helping to ensure the continuation of high quality audit services.

OTHER TRAINING AND PROFESSIONAL DEVELOPMENT OPPORTUNITIES

In addition to training provided by the Professional Development Committee, employees attended external training and development courses, seminars and conferences.

The Office is approved by the Institute of Chartered Accountants of Manitoba as a training office and supports articling students in their pursuit of the CA designation. This year two students wrote and passed the CA Uniform Final Exam and earned their CA designation. As well, one employee, who had earned her CA designation in India and her CPA in the United States, was successful in the CICA reciprocity exam.

Two employees also earned the Certified Fraud Examiners designation (CFE), and the Deputy Auditor General successfully completed a Masters of Business Administration (MBA) degree.

Support was also provided for individual employees seeking to develop specialized expertise in the areas of information technology and fraud examination.

Communications

The Office's communication activities are an essential contributor to the overall achievement of the Office's mission and desired outcomes. Our communication goals have two primary purposes:

- To heighten awareness of the findings and recommendations made in our audit reports, in order to improve their impact and contribution to public sector effectiveness and accountability; and
- To heighten awareness of the role, responsibilities and activities of the Office in order to reinforce legislators' and citizens' trust that our services are a valuable contribution to the accountability of government.

GOAL

To increase the effectiveness with which we communicate the nature and results of our work.

Our Office website - **www.oag.mb.ca** - provides the public with easy access to our reports, as well as to information about our services. All our reports to the Legislative Assembly and press releases are made available on our website on the day of issuance. This website contains a link to the CCOLA website.

Over the past year, the Auditor General has made over a dozen presentations on the role of the Auditor General and legislative auditing to audiences including university students, members of the Management Internship Program and Aboriginal Management Internship Program, and the Financial Executives Institute. As well, presentations on topics such as IT Governance, The Importance of Board Audit Committees, and The Impact of Public Sector Trends on Consulting have been made to a variety of organizations, including:

- The IT Governance Institute's Governance Forum in New York;
- The Institute of Internal Auditor's IT Security Conference;
- The Canadian Association of Management Consultants;
- The Municipal Administrators Association;
- The Canadian College of Health Services Executives' Provincial Health Conference;
- The Manitoba Association of School Trustees.

During 2002/03, our Office hosted meetings with private sector auditors, public sector internal auditors, and chief financial officers for entities that consolidated into the Summary Financial Statements of the Province on the role of our Office in general, and in relation to our Audit of the Public Accounts; on our reliance work with private sector auditors; on the consolidation process for the Summary Financial Statements; and, on important audit timelines with respect to the Public Accounts.

The Deputy Auditor General and Chief Operating Officer and Audit Principals have also made presentations to Boards on the role of the Office and the role of Audit Committees in the Public Sector.

A copy of our brochure on "Audit Committees" was circulated to Board and Audit Committee Chairs in the Public Sector.

PRIORITIES FOR 2003/04

Conduct presentations to clients and stakeholders on the nature of our work and our findings and recommendations in our reports.

Continue issuance of press releases on audit reports.

Engage the Institute of Chartered Accountants and private sector auditors in discussions on accounting and reporting in the public sector.

Review the design and content of our annual operations report.

Institute of Chartered Accountants of Manitoba

In 2001, the Institute of Chartered Accountants of Manitoba (ICAM) of which the Auditor General is a member, in response to a complaint, offered the Auditor General advice on how he should conduct himself during the course of an investigation. Although, the ICAM intended that its advice should be a private matter, its advice was subsequently broadcast in the local media. For the reasons stated below, the Auditor General did not, and does not intend to, follow this advice.

The essence of the advice provided was that the Auditor General should refrain from communicating with the media during an investigation.

As an officer of the Legislative Assembly, it is imperative that the Auditor General be free to act in the best interests of the Legislative Assembly, and by extension, the public. It is also important that the Office of the Auditor General be open and transparent about its activities.

The practice of the Auditor General with respect to the media about an investigation was, and remains, as follows:

Communications

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The practice of the Auditor General with respect to the media about an investigation was, and remains, as follows:

- When all appropriate parties have been notified that an investigation is to take place, the Auditor General will confirm that fact to the media if asked. This communication will include general information about the objectives of the investigation.
- During an investigation and when asked, the Auditor General will provide comment, when he deems it appropriate, on matters already on the public record and on the progress of the investigation.
- Information that would be detrimental to the investigation will not be made public.
- The findings, conclusions and recommendations arising out of the investigation will not be made public until the Members of the Legislative Assembly have been provided with the report on the investigation.

The above practice has served the Office of the Auditor General well and balances the right of the public to know about the activities of the Office with the Office's need to conduct an effective investigation. In our experience, there are ancillary benefits to public awareness of our investigations. In numerous cases, members of the public have come forward with valuable information which has assisted an investigation because they became aware of the investigation through the media.

External Liaison

THE CANADIAN COUNCIL OF LEGISLATIVE AUDITORS (CCOLA) STUDY GROUPS

1. Strategic Issues Group

The Office is represented on the CCOLA Strategic Issues Study Group, a committee composed of senior executives of each legislative audit office, including Canada. Offices benefit from collectively considering proposed solutions for urgent and emerging accounting and assurance issues. The committee actively addressed many requests for cross-Canada

GOAL

To actively participate in CCOLA and other professional organizations to maintain and/or strengthen our Office methodologies, competencies and processes.

input from various legislative offices. Guidance on issues and studies is provided to other CCOLA committees where needed.

The Committee is also involved in the development of audit office performance indicators.

During 2002/03 this Group was chaired by the Deputy Auditor General from Manitoba.

2. Human Resource Management

The Office is represented on the CCOLA Study Group on Human Resource (HR) Management. The objectives of this study group are to:

- provide a network to share information on HR practices and initiatives as they apply to legislative auditing;
- promote HR best practices; and
- develop HR-related surveys.

During the current fiscal year the committee conducted a number of surveys and compiled comparative human resource information for reference by legislative offices.

PRIORITY FOR 2003/04

Continue existing level of participation with external organizations.

3. Quality Assurance

The Office is represented on the CCOLA Study Group on Quality Assurance. The goal of the study group is to establish a common methodology that can be used by legislative auditing offices to review the quality of their professional work.

Last year, the study group completed a set of Quality Assurance review tools as follows:

- Quality Assurance Guiding Principles;
- Post-Audit Issuance Review Guide for Financial Statement Attest Audits; and
- Post-Audit Issuance Review Guide for Value-for-Money Audits.

During 2003/04 Quality Assurance reviews will be conducted between legislative offices in Canada. Our Office will be participating in having a value-for-money audit file reviewed by a representative from the Provincial Auditor's Office of Ontario.

4. Performance Reporting and Auditing

The Office is represented on the CCOLA Performance Reporting and Auditing Study Group, which has the following main objectives:

- When all appropriate parties have been notified that an investigation is to take place, the Auditor General will confirm that fact to the media if asked. This communication will include general information about the objectives of the investigation.
- During an investigation and when asked, the Auditor General will provide comment, when he deems it appropriate, on matters already on the public record and on the progress of the investigation.
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4. Performance Reporting and Auditing

The Office is represented on the CCOLA Performance Reporting and Auditing Study Group, which has the following main objectives:

- To share among the legislative audit community experiences and research in the reporting and auditing of non-financial performance information both nationally and internationally;
- To advance the state of public reporting of non-financial performance information by federal/provincial/territorial governments and their agencies; and
- To advance the practice of providing assurance on non-financial performance information.

Over the past year the Study Group continued its work in developing a compendium of audit methodology based on the experiences of the Canadian legislative audit community. As well, work continues on the development of a database on business planning and performance measurement to assist legislative audit offices in carrying out their work.

5. Information Technology Committee

The Office is represented on the CCOLA Information Technology Study Group which provides input on best practices used in the audit and support of information technology, and provides advice on IT issues, including the use and maintenance of the CCOLA Web site. The Committee meets annually to discuss the use of information technology to improve the performance of legislative audit offices, including the methods and procedures used to audit information systems.

During 2002/03 the Committee was Chaired by an Audit Principal from Manitoba.

6. Health Indicators Study Group

The Office is represented on the CCOLA Health Indicators Study Group (HISG) that was established to consider audit issues related to the September 11, 2000 First Ministers Communiqué. The First Ministers agreed to report regularly to Canadians on health status, health outcomes and the performance of public health services. It was also agreed that each Provincial government and the Federal government would determine third party verification of their health performance indicators. Our Office was requested, by the Department of Health, to conduct third party verification which we provided through an audit opinion that is included in Manitoba Health's September 2002 *Health Indicators Report*.

OTHER CCOLA ACTIVITIES

7. Tax Accounting Error Working Group

In February 2002, a working group comprised of representatives from Manitoba, Ontario, British Columbia, Alberta and Quebec was formed to review the Auditor General of Canada's proposed audit plan; to provide input on issues arising during the audit; and to assess the results of the audit work done with respect to the omission of the provincial portion of mutual funds capital gains refunds from the Federal/ Provincial Tax Sharing statements prepared by the Canada Customs and Revenue Agency. Our Office actively participated in the working group, whose work was completed in late spring of 2002.

8. Financial Statement Symposium

The Auditor General, Deputy Auditor General and Chief Operating Officer, Executive Director, Professional Practice, and the Audit Principal in charge of the audit of Public Accounts participated in the annual CCOLA Financial Statement Symposium. Over the years, this symposium has continued to provide an excellent forum for discussing financial statement and auditing issues unique to the public sector with other legislative audit offices across Canada.

9. CCOLA/CCPAC Conference

On an annual basis CCOLA cohosts a Canadian Conference with the Canadian Council of Public Accounts Committees.

10. Western CCOLA Initiatives

During the fall of 2002 and early 2003, the Auditor Generals and Deputy Auditor Generals of British Columbia, Alberta, Saskatchewan and Manitoba met to discuss areas where the offices can work together to ensure that our resources are used effectively, efficiently, and economically. It was determined that the provinces would work together in the development of common audit methodology. This project is underway with working group members from each

MEMBERSHIPS WITH PROFESSIONAL ORGANIZATIONS

Canadian Institute of Chartered Accountants

The Office is represented on the following Public Sector Accounting Board (PSAB) task forces:

- The Government Reporting Entity Task Force
- The Liabilities, Contingencies and Commitments Task Force.

Institute of Chartered Accountants of Manitoba

The Office is represented on two committees of the Institute:

- Office Practise Assistance Committee
- University Recruitment Committee

The Certified General Accountants Association of Manitoba

The Office is represented on a committee of the board.

Institute of Internal Auditors

The Office is represented on the board of Winnipeg Internal Auditors, the local Chapter of the IIA.

Information Systems Audit and Control Association

The Office is represented on the board of the Manitoba Chapter.

CCAF-FCVI

The Office is represented on the Task Force on public performance reporting.

IT Governance Institute

The Office is represented on the International Board (based in Chicago).

Financial Executives Institute

The Office is represented on the Board of the Winnipeg Chapter.

The Associates of I.H. Asper School of Business

The Office has a membership in this organization.

The Conference Board of Canada

The Office is represented on the Government Performance and Accountability Network.

Association of Certified Fraud Examiners

The Office has membership in this organization.

Certified Management Accountants of Manitoba

The Office has membership in this organization.

OTHER MEMBERSHIPS

- Human Resource Management Association of Manitoba
- The Winnipeg Chamber of Commerce
- The Institute of Public Administration of Canada
- The Institute of Public Administration - Winnipeg Chapter
- Financial Management Institute
- Canadian Evaluation Society

Financial Accountability

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

The audited financial statements for the Office of the Auditor General are provided in this report on pages 71 to 78.

Estimate Process

As per Section 27(3) of The Auditor General Act, the Office of the Auditor General receives funding from the Legislative Assembly appropriations. Late fall each year, the Office makes a budget presentation to the Legislative Assembly Management Commission. This Commission provides the forum for the Office to request salaries funding for complement positions and operations funding.

The Office of the Auditor General maintains a bank account for operating expenses independent from the province. Advances are provided by the Province up to the amounts approved by the Legislative Assembly Management Commission.

Note 5 to the financial statements summarizes the approved funding for the past two years. In both years, the Office managed within its allocated funding and returned unexpended balances to the Consolidated Fund in accordance with Section 27(4) of The Auditor General Act.

Balance Sheet

The accrued vacation payable has increased due mainly to an increase in the number of vacation days carried forward from the prior year and an increase in vacation entitlements. This liability is matched with a funding commitment from the Province of Manitoba.

The provision for employee severance benefits and employee pension benefits has increased as a function of increased employee years of service. These liabilities are matched with long-term funding commitments from the Province of Manitoba.

Year's Operations

Audit fee revenue is down slightly from the previous year due to reduced compliance audit cost chargebacks to government departments for 2003.

The increase in salaries for 2003 reflects increases for cost of living, promotions and reclassifications offset by position vacancies for a portion of the year.

Pension and other benefits is lower for 2003 as a result of 2002 having reflected an adjustment of the pension obligation based on the most recent actuarial valuation.

Printing costs increased as a result of an increase in the number of audit reports issued in the year.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2003 are the responsibility of management of the Office. Management has prepared the financial statements to comply with The Auditor General Act and with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including an organizational structure that effectively segregates duties. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Frostiak & Leslie, Chartered Accountants Inc. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, appears on page 70.

Jon. W. Singleton, CA•CISA
Auditor General
May 16, 2003

FROSTIAK & LESLIE
Chartered Accountants Inc.

Larry H. Frostiak, CA, CFP, TEP Kenneth T. Leslie, CA Myles L. Pouteau, CA, TEP

CA•COM FINANCIAL GROUP

AUDITORS' REPORT

TO THE LEGISLATIVE ASSEMBLY OF MANITOBA

We have audited the balance sheet of the Office of the Auditor General of Manitoba (formerly the Office of the Provincial Auditor) as at March 31, 2003 and the statements of operations and net assets available and cash flows for the year then ended. These financial statements are the responsibility of the Office of the Auditor General. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 16, 2003

Frostiak + Leslie
Chartered Accountants Inc.

200 - 1700 Corydon Avenue, Winnipeg, Manitoba, Canada, R3N 0K1
Tel: 204-487-4449 Fax: 204-488-8658
www.cafinancialgroup.com

FINANCIAL STATEMENTS AND NOTES

Balance Sheet
as at March 31, 2003
(000s)

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
BALANCE SHEET

As at March 31, 2003, with comparative figures for 2002 (000's)

	2003	2002 (Note 10)
ASSETS		
Current assets		
Short term funding commitments - Province of Manitoba	$ 330	$ 323
Prepaid expenses	90	74
Work-in-progress - audit fees	153	144
	573	541
Long term funding commitments - Province of Manitoba (Note 3 & 7)	9,334	8,818
Capital assets (Note 4)	295	340
	$ 10,202	$ 9,699
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued liabilities	$ 16	$ 16
Accrued vacation pay	330	323
Current portion of lease obligations (Note 5)	67	63
	413	402
Provision for employee severance benefits (Note 7)	408	390
Provision for employee pension benefits (Note 7)	8,926	8,428
Capital lease obligation (Note 5)	35	102
	9,782	9,322
Net assets available	420	377
	$ 10,202	$ 9,699

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Manitoba:

_____ Auditor General

_____ Deputy Auditor General & Chief Operating Officer

Statement of Operations and Net Assets Available
Year Ended March 31, 2003
(000s)

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
STATEMENT OF OPERATIONS AND NET ASSETS AVAILABLE

Year ended March 31, 2003, with comparative figures for 2002 (000's)

	2003	2002 (Note 10)
Revenue		
Province of Manitoba - net funding (Notes 3 & 6)	$ 4,621	$ 5,533
Audit fees	660	691
	5,281	6,224
Expenses		
Salaries	2,673	2,448
Pension and other benefits	1,079	2,359
Professional fees	603	696
Rent	163	162
Office and miscellaneous	152	138
Professional development	117	99
Information technology services	116	115
Printing costs	91	71
Dues and subscriptions	54	41
Travel	12	22
Interest and bank charges	10	7
	5,070	6,158
Excess of revenue over expenses before undernoted	211	66
Amortization of capital assets	(168)	(120)
Excess of revenue over expenses	43	(54)
Net Assets Available, beginning of year	377	431
Net Assets Available, end of year	$ 420	$ 377

See accompanying notes to financial statements

Statement of Cash Flows
Year Ended March 31, 2003
(000s)

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
STATEMENT OF CASH FLOWS

Year ended March 31, 2003, with comparative figures for 2002 (000's)

	2003	2002 (Note 10)
Operating activities		
Net income (loss)	$ 43	$ (54)
Items not involving a current outlay of cash		
Amortization	168	120
	211	66
Net change in non-cash working capital balances		
Accounts receivable	-	1
Short term funding commitment - Province of MB	(7)	(40)
Prepaid expenses	(16)	4
Work-in-progress - audit fees	(9)	19
Accrued vacation pay	7	40
Long term funding commitment	(516)	(456)
Provision for employee severance	18	374
Provision for employee pension	498	82
	186	90
Investing activities		
Purchases of capital assets	(120)	(242)
Financing activities		
Proceeds of capital lease obligations	(66)	152
Net increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
NOTES TO FINANCIAL STATEMENTS

March 31, 2003 (000's)

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Auditor General is appointed under The Auditor General's Act (Chapter 39) as an officer of the Legislature. The Act provides for the establishment of the Office of the Auditor General of Manitoba (formerly the Office of the Provincial Auditor) and sets out the authority and powers of the Auditor General, identifies the audit services to be provided, and establishes reporting responsibilities.

All of the funding for the operations of the Office of the Auditor General of Manitoba is approved by the Legislative Assembly Management Commission and included in the Government's estimates as voted through the Appropriation Act by the Legislative Assembly. Accordingly, the Office is economically dependent on the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

a) Revenue from the Province of Manitoba

Funding from the Province of Manitoba is recognized as revenue based on transactions reflected through the Consolidated Fund of the Government. Revenue includes cash payments processed against appropriations of the Legislative Assembly, cash payments for the employer's share of pension benefits paid to retirees from the Office, and the Offices' share of provisions recorded for unfunded pension benefits, accrued severance benefits and accrued vacation pay. This funding is then reduced by the amount of audit fees collected by the Office and deposited to revenue accounts of the Consolidated Fund.

b) Revenue from audit fees

Audit fee revenue is recognized on the basis of the percentage of work completed for those government entities which are charged for attest audit services and which account for their financial activities outside of the Consolidated Fund. The amount reflected as work-in-progress is valued at its estimated billable amount.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incident to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
NOTES TO FINANCIAL STATEMENTS

March 31, 2003 (000's)

d) Pension costs

Employees of the Office of the Auditor General of Manitoba participate as members of the Civil Service Superannuation Plan, a defined benefit pension plan.

The employer's portion of the pension benefits paid to retired employees are processed through central appropriations to the Government and reflected in these financial statements as both revenue and expenditure transactions. Provision is recorded at the year end to reflect the Office's pro-rata share of the most recent actuarial valuation of unfunded pension liabilities estimated for the Civil Service Superannuation Plan. The most recent Actuarial Valuation Report available was compiled as at December 31, 2001.

e) Severance benefits

Provision has been made for employee severance entitlements based on one week of salary for each year of service up to a maximum of fifteen weeks. In addition to this severance, employees who retire in accordance with the provisions of The Civil Service Superannuation Act will also be eligible for severance pay:

a) Employees with 20 or more years of accumulated service, an additional 2 weeks of pay;
b) Employees with 25 or more years of accumulated service, an additional 2 weeks of pay plus the amount in a) above;
c) Employees with 30 or more years of accumulated service, an additional 2 weeks of pay plus the amounts in a) and b) above;
d) Employees with 35 or more years of accumulated service, an additional 2 weeks of pay plus the amounts in a) and b) and c) above.

The provision includes accumulated benefits for all employees and includes a probability rate provided by the Province of Manitoba.

f) Vacation Pay

The value of employee vacation entitlements earned but not taken at the year end is recorded as a liability.

g) Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. The more subjective of these are estimating the pension obligation and severance liability. Actual results could differ from those estimates.

h) Amortization

Capital assets are stated at cost. Capital assets are amortized using the straight line basis over the estimated useful life of the capital assets as follows:

Computer software licenses - the life of the license if over 1 year	
Computer hardware and software	3 years
Computer equipment under capital lease	3 years
Furniture and fixtures	10 years

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
NOTES TO FINANCIAL STATEMENTS

March 31, 2003 (000's)

3. LONG-TERM FUNDING COMMITMENTS - PROVINCE OF MANITOBA

The long-term funding commitments from the Province of Manitoba represent the pension and severance benefits earned by the employees of the Office of the Auditor General of Manitoba. The amount of this funding commitment is equal to the provisions recorded for the employees' severance and pension benefits.

This long-term funding commitment would only be collected from the Province of Manitoba in the event of a cash shortfall, which would only be likely to occur if the Office of the Auditor General of Manitoba was to cease operations.

4. CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	$ 602	$ 509	$ 524	$ 466
Computer equipment under capital lease	259	161	259	97
Furniture and fixtures	177	73	175	55
	$ 1,038	$ 743	$ 958	$ 618
Net book value	$ 295		$ 340	

5. CAPITAL LEASE OBLIGATIONS

	2003	2002
Capital lease - bears interest at 7.55%, with a monthly payment of principal and interest of $6.0, expiring September 26, 2004	$ 108	$ 181
Less: Lease interest	6	16
	102	165
Less: Current portion of principal payments	67	63
	$ 35	$ 102

Future minimum lease payments for next five years: principal and interest

2003	$ 72
2004	36
2005	-
2006	-
2007	-
	$ 108

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
NOTES TO FINANCIAL STATEMENTS

March 31, 2003 (000's)

6. REVENUE - PROVINCE OF MANITOBA

In accordance with Section 27(3) of The Auditor General's Act, the costs of carrying on the business of the Office of the Auditor General of Manitoba shall be paid from the Consolidated Fund of the Province of Manitoba. As a result, net funding from the Consolidated Fund which is attributable to the costs of the Office has been reflected as revenue and includes expenditure transactions processed through the Consolidated Fund on behalf of the Office, less any audit fees and other recoveries which have been deposited to the Consolidated Fund.

Net funding from the Consolidated Fund which is reflected as revenue is comprised of the following amounts:

	2003	2002 (Note 7)
Funding from the Legislative Assembly appropriations:		
Salaries	$ 2,905	$ 2,661
Operating	1,197	1,058
	4,102	3,719
Cash payments-employer's share of employee pension benefits	318	307
Deposits of audit fees and other recoveries	(322)	(322)
Net cash from Consolidated Fund	4,098	3,704
Increase in future funding commitments:		
Employee pension benefits	498	1,835
Severance pay	18	(47)
Vacation pay	7	41
Revenue from the Province of Manitoba	$ 4,621	$ 5,533

Revenue from the Legislative Assembly for the operations of the Office was originally approved in the annual estimates of the Government, and subsequently adjusted as follows:

	2003	2002
Salaries	$ 3,164	$ 3,164
Other	989	950
Approved estimates, adjusted	$ 4,153	$ 4,114
Payments process, as above	$ 4,102	$ 3,719
Unexpended balance	$ 51	$ 395

OFFICE OF THE AUDITOR GENERAL OF MANITOBA
NOTES TO FINANCIAL STATEMENTS

March 31, 2003 (000's)

7. CHANGE IN PENSION OBLIGATION AND SEVERANCE LIABILITY

The most recent actuarial valuation of the pension obligation and severance liability of the Office of the Auditor General of Manitoba was prepared as at December 31, 2001. These reports became available during the preparation of the 2003 financial statements and, consequently, the pension obligation and severance liability as at March 31, 2002 reflects the estimates contained in these valuations. A cumulative adjustment was made in the prior year representing the retroactive effect of the change in pension obligation and severance liability of preceding years. The result of this adjustment is that the Province of Manitoba - net funding revenue and pension and other benefits expense in the prior year was increased by $1,461 and the severance liability was decreased $129 representing the retroactive effect of the change in pension obligation and severance liability of preceding years.

8. STATEMENT OF CASH FLOWS

Interest and bank charges included in the statement of cash flows that were paid during year are $45 (2002 - $7).

9. COMMITMENT

The Office of the Auditor General of Manitoba is committed to lease office premises at 500-330 Portage Avenue (Newport Centre) in Winnipeg, Manitoba. Minimum annual lease payments are approximately $165, plus annual adjustments for occupancy costs to Transportation and Government Services.

10. COMPARATIVE FIGURES

Prior year figures have been reclassified to comply with the current year's presentation.

Performance Accountability

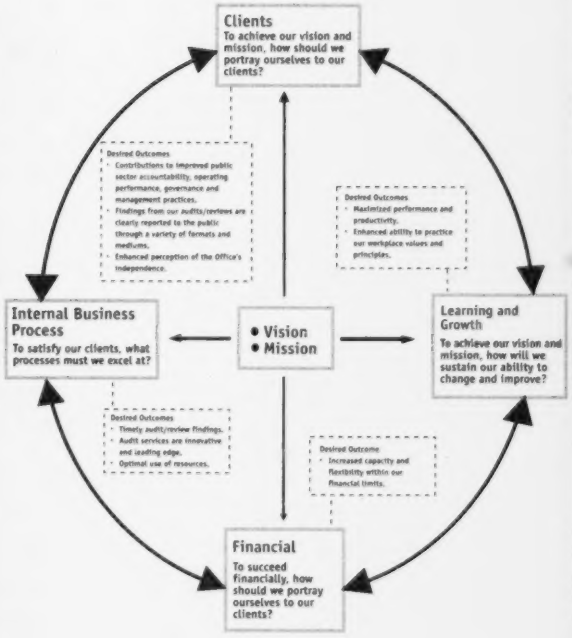
Our Strategic Planning Process

Our strategic plan is based on the Balanced Scorecard model. Through this approach, objectives, outcomes, actions and performance measures are developed that relate to four perspectives: Clients; Internal Business; Learning and Growing; and Financial.

The intent behind the model is to ensure that the strategic plan contains complementary and inter-related strategies from each perspective. Collectively, these perspectives ensure that a comprehensive and balanced approach is taken in order to realize an organization's desired outcomes. The desired outcomes developed by our Office are outlined on the following Figure.

Balanced Scorecard Model

The Balanced Scorecard Provides a Framework to Translate a Vision and Mission into Operational Terms


Clients
To achieve our vision and mission, how should we portray ourselves to our clients?
Desired Outcomes
Contributions to improved public sector accountability, operating performance, governance and management practices.
Findings from our audits/reviews are clearly reported to the public through a variety of formats and mediums.
Enhanced perception of the Office's independence.
Desired Outcomes
Maximized performance and productivity.
Enhanced ability to practice our workplace values and principles.
Internal Business Process
To satisfy our clients, what processes must we excel at?
• Vision
• Mission
Learning and Growth
To achieve our vision and mission, how will we sustain our ability to change and improve?
Desired Outcomes
Timely audit/review findings.
Audit services are innovative and leading edge.
Optimal use of resources.
Desired Outcome
Increased capacity and flexibility within our financial limits.
Financial
To succeed financially, how should we portray ourselves to our clients?

Our External Priorities

To achieve our desired outcomes for our clients, the focus of our work will be to support and promote within government reporting entities:

- the use of recognized accounting standards, e.g., Generally Accepted Accounting Principles (GAAP), as enunciated by the Public Sector Accounting Board (PSAB), and the Canadian Institute of Chartered Accountants (CICA);
- effective compliance with government legislation/regulations, policies and procedures;
- the effective use of information technology;
- the effective use of strategic/business planning and performance measurement;
- effective governance practices; and
- improved assessment and reporting on program effectiveness.

Our Internal Priorities

To build on our ability to achieve our desired outcomes, internal Office operations will focus on:

- enhancing coordination between our service areas;
- developing employees as legislative auditors with expanded skill sets and the ability to perform increasingly complex audits of various types;
- strengthening teamwork capabilities; and
- improving communication and the exchange of ideas within service areas and across the organization as a whole.

Summary of Results According to 2002/03 Strategic Plan

In accordance with our 2002/03 Strategic Plan, the following provides a summary of key actions completed over the past year to meet our desired outcomes.

Perspective	*Desired Outcome*	*Actions Completed*
Client	Contributions to improved public sector accountability, operating performance, governance and management practices	• Provided over 100 attest audit services, partnership audits and overviews on a timely basis.
		• Conducted third party verification for Manitoba's Health Indicators Report issued September 2002.
		• The following reports were issued during the year: - Audit of the Public Accounts - Investigation of the Rural Municipality of St. Clements and a Review of Municipal Accounting and Reporting Standards in Manitoba - Audit of the Public Housing Program - Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability in Manitoba - Performance Reporting in Annual Reports: Current Practices Among Crown Entities - Audit of the Assiniboine Community College - Audit of the Student Financial Assistance Program - An Examination of RHA Governance in Manitoba - An Investigation of Missing Artifacts at the Anthropology Museum of the University of Winnipeg
		• A Guide to Policy Development was issued in January 2003.
		• Performed a follow-up on the status of recommendations made in past VFM reports.
		• Work is substantially completed with reports to be issued on three VFM audits, six compliance and audit projects, and two information technology audits.
		• Met with MLAs and citizens on a variety of specific issues of concern.
	Findings from our audits/reviews are clearly reported to the public through a variety of formats/mediums	• Press releases were issued for reports.
		• Reports and press releases were made available on the Office website at the time of their public release.
		• Auditor General made numerous presentations to a variety of audiences.
	Enhanced perception of the independence of the Office	• The new Auditor General Act was proclaimed Effective May 1, 2002.
		• Published brochures on Legislative Auditing.
		• Published brochure on Audit Committees.
		• Met with a number of Board and Audit Committees and discussed our Office.
		• Continued discussions for strengthening the role and function of the Public Accounts Committee of the Legislature.
Internal Business	Innovative and leading edge audit services	• Held meetings with private sector auditors, public sector internal auditors, and public sector Chief Financial Officers.
		• Participated on the Office Practice Assistance Committee of the Institute of Chartered Accountants of Manitoba.
		• Requested in 2002 by the Minister of Health to conduct a third party verification for Manitoba's health performance indicator report. An audit opinion was issued in September 2002.
		• Established an Executive Director, Professional Practice position.

Summary of Results According to 2002/03 Strategic Plan (cont'd.)

Perspective	*Desired Outcome*	*Actions Completed*
Internal Business (cont'd.)	Innovative and leading edge audit services (cont'd.)	• Expanded involvement of employees with CCOLA and external professional associations.
		• Supported expanded membership and involvement in professional associations.
		• Confirmed future work in Casino auditing in Manitoba.
		• Completed three agency agreements for attest audits.
		• Conducted audit planning and result presentations to a variety of boards and finance/audit committees.
		• Selected audit projects focused on improved financial reporting within the public sector.
	Optimal use of resources	• Reallocated two positions to Compliance and Forensic Services to handle the increasing request for service.
		• Monitored employee utilization and audit costs, as well as other performance data.
		• Participated in the University of Manitoba recruitment initiative through the Institute of Chartered Accountants and hired three CA summer students.
		• Contracted with subject matter experts to assist in the conduct of audits/investigations.
		• Partnered with private sector accounting firms for resource secondments.
		• Upgraded hardware and software resources in the Office.
		• Purchased TeamMate software in order to conduct audits using an electronic medium.
		• Developed an Office Intranet site.
Learning and Growth	Maximize performance and productivity and encourage a positive and professional work environment	Developed a Sustainable Development Action Plan.
		• Established an Executive Director-Strategic Initiatives position to work toward implementation of the long-term human resource strategy, including a focus on core competencies and professional development.
		• The Professional Development Committee planned and coordinated programs, courses and lectures. This was supplemented with computer training and personal training and development options selected by individual employees.
		• Conducted several employee meetings and office report briefings.
		• Promoted open and transparent communication on issues being addressed by the Office.
		• Encouraged diversity of work opportunities and challenges for employees.
		• The Office Social Club organized a number of specific social functions for employees throughout the year.
		• Office participation in external professional and volunteer organizations.
		• Office participation on CCOLA Committees.

Summary of Results According to 2002/03 Strategic Plan

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Perspective	*Desired Outcome*	*Actions Completed*
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Summary of Results According to 2002/03 Strategic Plan (cont'd.)

Perspective	*Desired Outcome*	*Actions Completed*
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	Optimal use of resources	• Reallocated two positions to Compliance and Forensic Services to handle the increasing request for service. • Monitored employee utilization and audit costs, as well as other performance data. • Participated in the University of Manitoba recruitment initiative through the Institute of Chartered Accountants and hired three CA summer students. • Contracted with subject matter experts to assist in the conduct of audits/investigations. • Partnered with private sector accounting firms for resource secondments. • Upgraded hardware and software resources in the Office. • Purchased TeamMate software in order to conduct audits using an electronic medium. • Developed an Office Intranet site. Developed a Sustainable Development Action Plan.
Learning and Growth	Maximize performance and productivity and encourage a positive and professional work environment	• Established an Executive Director-Strategic Initiatives position to work toward implementation of the long-term human resource strategy, including a focus on core competencies and professional development. • The Professional Development Committee planned and coordinated programs, courses and lectures. This was supplemented with computer training and personal training and development options selected by individual employees. • Conducted several employee meetings and office report briefings. • Promoted open and transparent communication on issues being addressed by the Office. • Encouraged diversity of work opportunities and challenges for employees. • The Office Social Club organized a number of specific social functions for employees throughout the year. • Office participation in external professional and volunteer organizations. • Office participation on CCOLA Committees.

Summary of Results According to 2002/03 Strategic Plan (cont'd.)

Perspective	*Desired Outcome*	*Actions Completed*
Financial	Increased capacity and flexibility within our financial limits	• Monthly financial and quarterly operations reports prepared.
		• Coordinated Office billing and time systems and produced required information.
		• Studied billing rate for financial statement audits.
		• Managed staffing levels in accordance with the approved budget and market availability of employees with the competencies required, in order to fill vacancies arising during the year.
		• Maximized the use of training dollars through attendance at local training courses.

Summary of 2004/06 Strategic Plan

The following strategies were developed as part of our three year strategic plan to help us achieve our desired outcomes. Specific action plans are developed for each strategy on an annual basis.

Perspective	*Desired Outcome*	*Strategies*
Client	Contributions to improved public sector accountability, operating performance, governance and management practices	• To conduct assurance services.
		• To conduct compliance and forensic investigations.
		• To conduct results-oriented VFM audits.
		• To conduct information technology audits.
		• To conduct governance reviews and studies.
		• To conduct business planning and performance measurement reviews and studies.
		• To respond to external requests/special audits.
		• To continue partnering with private sector accounting firms.
		• To follow-up on the status of recommendations made in past reports.
	Findings from our audits/reviews are clearly reported to the public through a variety of formats/ mediums	• Update the external communication strategy as needed.
	Enhanced perception of the independence of the Office of the Auditor General	• To make organizational changes resulting from the new Auditor General Act.
		• To continue our efforts to strengthen the role and function of the Public Accounts Committee of the Legislature.
Internal Business	Innovative and leading edge audit services	• To identify opportunities for our work in areas of emerging public sector issues.
		• To encourage ongoing enhancement of skills in results-based auditing.
		• To continuously incorporate current thinking on control and risk management into our audit processes.
		• To promote adoption of CICA/PSAB standards across all audit entities.
		• To maintain and encourage external networking and membership in professional associations.
	Optimal use of resources	• To maintain an audit universe for the selection and coordination of audits.
		• To ensure that the Public Accounts audit is planned and conducted to ensure the optimal use of resources.
		• To ensure auditing standards for all services are current and to continue to enhance the Office's quality assurance process.
		• To use multi-disciplinary audit teams where appropriate.
		• To ensure the Office's information technology structure effectively supports the operation of the Office.
		• To monitor and report on our operations.
		• To monitor and ensure client satisfaction with our services.
Learning and Growing	Maximize performance and productivity and encourage a positive and professional work environment	• To implement our long-term human resource strategy.
		• To implement our professional development strategy.
Financial	Increased capacity and flexibility within our financial limits	• To maintain an optimum level of resources among service groups.

Summary of Results According to 2002/03 Strategic Plan (cont'd.)

Perspective	*Desired Outcome*	*Actions Completed*
Financial	Increased capacity and flexibility within our financial limits	• Monthly financial and quarterly operations reports prepared. • Coordinated Office billing and time systems and produced required information. • Studied billing rate for financial statement audits. • Managed staffing levels in accordance with the approved budget and market availability of employees with the competencies required, in order to fill vacancies arising during the year. • Maximized the use of training delivery through attendance at local training courses.

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Perspective	*Desired Outcome*	*Strategies*
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	Findings from our audits, reviews are clearly reported to the public through a variety of formats/ methods	• Update the external communication strategy as needed.
	Enhanced perception of the independence of the Office of the Auditor General	• To make organizational changes resulting from the new Auditor General Act. • To continue our efforts to strengthen the role and function of the Public Accounts Committee of the Legislature.
Internal Business	Innovative and leading edge audit services	• To identify opportunities for our work in areas of emerging public sector issues. • To encourage ongoing enhancement of skills in results-based auditing. • To continuously incorporate current thinking on control and risk management into our audit processes. • To promote adoption of CICA/ PSAB standards across all audit practices. • To maintain and encourage external networking and membership in professional associations.
	Optimal use of resources	• To maintain an audit universe for the selection and coordination of audits. • To ensure that the Public Accounts audit is planned and conducted to ensure the optimal use of resources. • To ensure auditing standards for all services are current and to continue to enhance the Office's quality assurance process. • To use multi-disciplinary audit teams where appropriate. • To ensure the Office's information technology structure effectively supports the operation of the Office. • To monitor and report on our operations. • To monitor and ensure client satisfaction with our services.
Learning and Growing	Maximize personal skills and productivity and encourage a positive and professional work environment	• To implement our long term human resource strategy. • To implement our professional development strategy.
Financial	Developed capacity and flexibility within our financial limits	• To maintain an optimum level of resources among service areas.

Best Practices - Critical Success Factors

This is a list of critical factors or practices that we consider to be essential ingredients of a quality legislative office. Essentially the critical factors represent qualitative performance indicators against which we benchmark our performance.

Practices and Activities	*Our Performance*
Strategic Planning	• Three year Business Plan in place that is updated annually with a major review every three years. Next major review to be conducted in 2004/05.
Performance Measurement	• Measures developed and evolving. • Reporting CCOLA measures as developed.
Audit Promotion Materials	• Manuals exist for Financial Statement Services and Value for Money Services; both are reviewed annually to ensure they are current. • A Manual is in development for Compliance and Forensic Services.
Quality Control Review	• Pre-issuance review of draft financial statements.
Quality Assurance	• Reviews completed by the Office of the Auditor General of Canada. • Practice inspection completed by the Manitoba Institute of Chartered Accountants. • Dedicated Professional Practice position established in the Office. • Review of value for money file to be completed in 2003/04 by a representative of the Office of the Provincial Auditor of Ontario.
Audit Selection Process	• Risk assessment process utilized in audit selection. Process to be subject to continuous improvement.
Percentage of Staff with a Professional Accounting Designation and/or an Advanced Degree (e.g., Masters)	• Staff with an Accounting Designation: Audit Certification • Staff with an Advanced Degree • CA Students • Non-designated Staff Total Audit Staff
Opportunities for Professional Development	• Financial support to CA students and to employees for audit courses completed and passed. • Budget for staff to take various types of internal and external training. • Presentations organized on relevant topics.
External Memberships	• Canadian Council of Legislative Auditors (CCOLA) • Canadian Comprehensive Auditing Foundation (CCAF) • Canadian Institute of Chartered Accountants (CICA) • Public Sector Accounting Board (PSAB) • Institute of Internal Auditors (IIA) • Institute of Chartered Accountants of Manitoba (ICAM) • Chamber of Commerce • Human Resource Management Association of Manitoba (HRMAM) • Legislative Books of Canada • Information Systems Audit and Control Association (ISACA) • Institute of Public Administration of Canada (IPAC) • Financial Management Institute (FMI) • Association of the University of Manitoba, I.H. Asper School of Business
Use of IT Tools in Office Operations and Audit/Review Projects	• Audit software (IDEA, CASEWARE, Microsoft Office products) • Time tracking on projects is automated • Attendance records automated • E-Mail • Internet Access • MS Project (Planner 9) Model • DataMate to be initiated as electronic working paper software by 2003-04.

	Number	%
	10	24
	4	10
	3	7
	25	59
	42	100

Best Practices - Critical Success Factors

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Critical Success Factors

Practices and Activities	Our Performance
Strategic Planning	• Three year Business Plan in place that is updated annually with a major review every three years. Next major review to be conducted in 2003/04.
Performance Measurement	• Measures developed and evolving. • Referencing CCOLA measures as developed.
Audit Procedure Manuals	• Manuals exist for Financial Statement Services and Value-For-Money Services; both are reviewed annually to ensure they are current. • A Manual is in development for Compliance and Forensic Services.
Quality Control Review	• Pre-issuance review on draft financial statements.
Quality Assurance	• Review completed by the Office of the Auditor General of Canada. • Practice inspection completed by the Manitoba Institute of Chartered Accountants. • Dedicated Professional Practice position established in the Office. • Review of value-for-money file to be completed in 2003/04 by a representative of the Office of the Provincial Auditor of Ontario.
Audit Selection Process	• Risk assessment process utilized in audit selection. Process to be subject to continuous improvement.
Percentage of Staff with a Professional Accounting Designation and/or an Advanced Degree (e.g., Masters)	

	Number	%
• Staff with an Accounting Designation/Audit Certification	32	76
• Staff with an Advanced Degree	4	10
• CA Students	3	7
• Non-designated Staff	3	7
Total Audit Staff	42	100

Opportunities for Professional Development	• Financial support to CA students and to employees for audit courses completed and passed. • Budget for staff to take various types of internal and external training. • Presentations organized on relevant topics.
External Memberships	• Canadian Council of Legislative Auditors (CCOLA) • Canadian Comprehensive Auditing Foundation (CCAF) • Canadian Institute of Chartered Accountants (CICA) • Public Sector Accounting Board (PSAB) • Institute of Internal Auditors (IIA) • Institute of Chartered Accountants of Manitoba (ICAM) • Chamber of Commerce • Human Resources Management Association of Manitoba (HRMAM) • Conference Board of Canada • Information Systems Audit and Control Association (ISACA) • Institute of Public Administration of Canada (IPAC) • Financial Management Institute (FMI) • Associates of the University of Manitoba, I.H. Asper School of Business
Use of IT Tools in Office Operations and Audit/Review Projects	• Audit software (IDEA/CASEWARE, Microsoft Office products) • Time tracking on projects is automated • Attendance records automated • E-Mail • Internet Access • MS Project Planner Software • TeamMate to be installed as electronic working paper software by 2003/04.

Performance Measurement

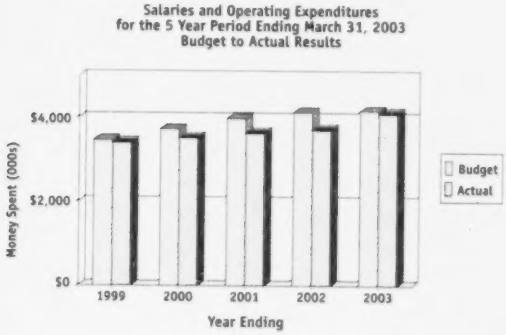
Overview

As a key component of our strategic plan, the Office is committed to performance reporting. The following information provides a synopsis of our results in key performance areas.

As the work in the Office continues to evolve, we will be reviewing and assessing future additional or varied performance measures. The Strategic Issues Study Group of CCOLA has a sub-committee that will be reviewing performance measures used by Federal/ Provincial audit offices across Canada. We anticipate that this research will provide us with another source of reference for additional performance measures.

Salaries and Operating Expenditures

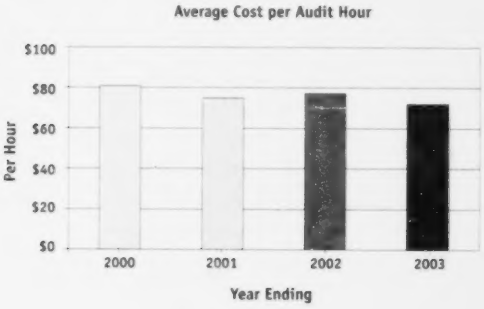
The following chart reflects the budget to actual expenditures of the Office over the past five years. The increase in expenditures mainly reflects inflation and contractual salary adjustments. The level of staff in the Office has remained relatively constant over the same period.



Over the past five years, the Office has never exceeded its overall funding as authorized by the Legislative Assembly Management Commission. We have managed our finances prudently and have returned unexpended amounts to the Consolidated Fund.

Audit Costs

The average cost per audit hour is based on the actual salary cost and benefits plus operating costs. The audit hours are the total number of actual audit hours for the year.



In 2003, the Office achieved a lower average cost per audit hour than in 2002 as a result of an increase of 4,177 hours charged directly to audits. Since 2000 the Office has increased the number of hours charged directly to audits by 7,900 hours.

The average cost per audit hour for 2003 has decreased from the prior year mainly due to the increase in chargable audit hours. Part of the decrease in the average cost per audit hour for 2003 was offset by the contractual increase in salaries paid, promotions and increments. The Office is a training office for people to become Chartered Accountants, and the last few years have seen an increase in the number of student auditors. In 2002/03, two students received their Chartered Accountants designation. These individuals were entitled to salary increases.

Employee Time

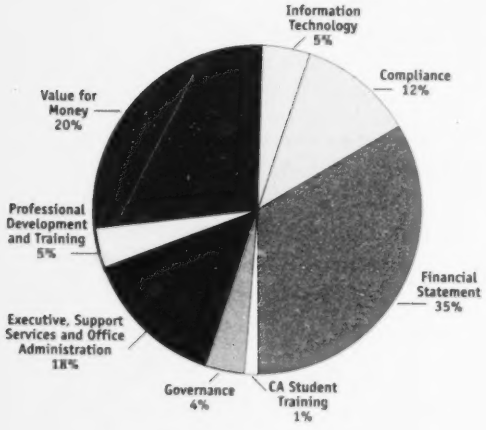
	Actual				Target
	2000	2001	2002	2003	2003
Employee Time					
Working hours	85%	86%	85%	86%	83%
Vacation leave and statutory holidays	12%	12%	12%	11%	15%
Sick leave	3%	2%	3%	3%	2%
	100%	100%	100%	100%	100%
Working Hour Tasks					
Audits	65%	69%	73%	76%	75%
Executive, Support Services and Administration	24%	21%	22%	18%	18%
Professional Development and Training	7%	7%	4%	5%	6%
CA student training	4%	3%	1%	1%	1%
	100%	100%	100%	100%	100%
Number of full-time positions	41	43	45	42	45

Every employee is required to complete bi-weekly timesheets for each task done during the work day. Internally, time is posted to audit, project or administration which includes support services, executive management, general office administration, professional development, etc. The Office uses the information to monitor performance and to determine the actual cost of audits or projects.

Our goal was that 75% of staff time be charged to audits. This past year we achieved this goal.

In terms of our audit work, the following pie chart provides a schematic of the percentage of time spent on working hour tasks.

Actual Time Spent on Working Hour Tasks by Employees March 2003

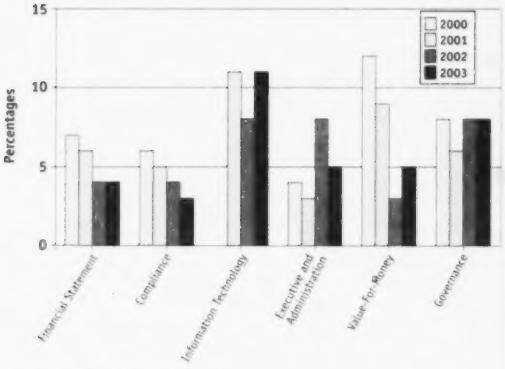


Professional Development and Training

On average the Office target is that 7% of employees time be allocated to professional development and training. On an overall basis 6% was achieved. The training for 2002/03 resulted from the training and development needs of Services' employees.

In addition to professional development and training employees have during working hours, employees also spend additional hours taking courses and enhancing their professional skills. These hours are not reflected in employee time of 6%.

Percentage of Hours for Professional Development and Training



Client Satisfaction

Our Office defines its primary clients as the citizens of Manitoba, and their representatives, the Members of the Legislative Assembly (MLAs). The government departments and organizations we audit are the beneficiaries of our services.

To ensure that our services meet the needs and expectations of our clients, the Office conducts a survey of MLAs every three years. We seek information on the extent to which MLAs have read our reports, their assessment and overall satisfaction of our reports and their assessment of the extent to which we achieve our desired outcomes.

The MLA survey was administered in May 2002 by an independent research firm to ensure respondent confidentiality. Our 2002 results indicated the following:

- 86% of MLAs agreed that the work of our Office contributes to improved public sector accountability in Manitoba;
- 92% indicated that our Reports to the Legislative Assembly (RTLs) are an important service;
- 92% felt that our RTLs deal with matters of significance for the Legislative Assembly;
- 84% indicated they are satisfied with the overall quality of our RTLs; and
- 84% indicated that the RTLs deal with issues in an unbiased and objective manner, and that the recommendations made were fair and practical.

Employee Satisfaction

Our Office believes that a cooperative, energetic, team environment that values and respects the individual and promotes continuous learning and growth is essential in order for us to achieve our Mission and Vision.

Respect, honesty, integrity and openness form our fundamental values. A 1999 staff survey indicated that 84% of respondents were satisfied to be working in our Office. The next survey will be conducted during 2003.

Recommendations Accepted by the Government

Overall, the majority of our recommendations are accepted by the entities we audit, and by the Ministers. The Government is receptive to implementing these recommendations. Our MLA Survey of 2002 indicated the following:

- 83% feel that our recommendations will improve the operations of government, once implemented.

Requests for Special Audits/ Consultations

Requests for Special Audits, investigations and consultations has increased significantly over the past year. The Office reviewed the impact of requests on its audit and resource planning and staffing processes and decisions, and will be requesting funding to cover the approved complement staffing level.

Speaking Engagements

The Auditor General was requested to speak at 13 engagements over the past year, including an international IT Governance conference in New York City.

Sustainable Development

In the spring of 2000, the Government of Manitoba committed to implementing sustainable development guidelines for operations of all departments, entities and related corporations. Our Office established a Sustainable Development Committee. This Committee reviewed the guidelines and prepared an action plan. We submitted the action plan to Government Services in September 2002. That action plan is contained in Appendix E of this report. Effective April 1, 2003, our Office will begin working toward the achievement of the plan and will report on the results in our annual report.

Appendices

Appendix A

Financial Statement Audits Within the Government Reporting Entity Conducted by the Auditor General's Office

Summary Financial Statements
Consolidated Fund (Operating Fund and other Special Funds)
Fiscal Stabilization Fund
Debt Retirement Fund
Northern Affairs Fund
Amounts Paid to MLA's

CROWN ORGANIZATIONS

Board of Administration under The Embalmers and Funeral Directors Act
Brandon University (and subsidiaries)*
Centre Culturel Franco-Manitobain*
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Council on Post Secondary Education
Economic Innovation and Technology Council*
Helen Betty Osborne Foundation
Horse Racing Commission*
Legal Aid Services Society of Manitoba
Manitoba Agricultural Credit Corporation*
Manitoba Centennial Centre Corporation*
Manitoba Crop Insurance Corporation
Manitoba Foundation
Manitoba Gaming Control Commission
Manitoba Habitat Heritage Corporation*
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Manitoba Housing and Renewal Corporation*
Manitoba Trade and Investment Corporation
Manitoba Water Services Board*
Public Schools Finance Board
Special Operating Agencies Financing Authority
University of Manitoba (and subsidiaries)

GOVERNMENT ENTERPRISES

Leaf Rapids Town Properties Ltd.*

SPECIAL OPERATING AGENCIES

Manitoba Text Book Bureau*
Organization and Staff Development*
Public Trustee

* Audit conducted in partnership with a private sector accounting firm

Appendix B

Other Financial Statement Audits Conducted by the Auditor General's Office

All Charities Campaign
Brandon University Retirement Plan*
Broadmead Investment Corporation
Cherry Lane Investment Corporation
Civil Service Superannuation Fund
Elections Manitoba Returning Offices - 37th General Election
Estates and Trusts under Administration by the Public Trustee
Labour Market Development Agreement
Manitoba Home Care Employees' Benefits Trust Fund
Public Service Group Insurance Fund
Teachers' Retirement Allowances Fund
University of Manitoba Pension Plans
University of Winnipeg (and subsidiaries)*
University of Winnipeg Pension Plan*

* Audit conducted in partnership with a private sector accounting firm

Appendix C

Financial Statement Audits Within the Government Reporting Entity Conducted by Private Sector Accounting Firms With Overviews Performed by the Office of the Auditor General

CROWN ORGANIZATIONS

Addictions Foundation of Manitoba
Assiniboine Community College
Child and Family Services of Central Manitoba
Child and Family Services of Western Manitoba
Communities Economic Development Fund
Crown Corporations Council
Deer Lodge Centre Inc.
Insurance Council of Manitoba
Keewatin Community College
Manitoba Adolescent Treatment Centre Inc.
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Cancer Treatment and Research Foundation
Manitoba Community Services Council Inc.
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Health Research Council
Red River College
Regional Health Authorities:
- Assiniboine Regional Health Authority Inc.
- Brandon Regional Health Authority Inc.
- Burntwood Regional Health Authority Inc.
- Churchill Regional Health Authority Inc.
- Interlake Regional Health Authority Inc.
- Nor-Man Regional Health Authority Inc.
- North Eastman Health Association Inc.
- Parkland Regional Health Authority Inc.
- Regional Health Authority - Central Manitoba Inc.
- South Eastman Health/Saute Sud-Est Inc.
- Winnipeg Regional Health Authority Inc.

Rehabilitation Centre for Children Inc.
Venture Manitoba Tours Ltd.
Winnipeg Child and Family Services

GOVERNMENT ENTERPRISES

Liquor Control Commission
Manitoba Hazardous Waste Management Corporation
Manitoba Hydro-Electric Board
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation
Manitoba Public Insurance Corporation
Workers Compensation Board of Manitoba

Appendix C (cont'd.)

SPECIAL OPERATING AGENCIES

Civil Legal Services Agency
Companies Office
Fleet Vehicles Agency
Food Development Centre
Industrial Technology Centre
Land Management Services
Mail Management Agency
Manitoba Education Research and Learning Information Networks (Merlin)
Manitoba Securities Commission
Materials Distribution Agency
Office of the Fire Commissioner
Pineland Forest Nursery
Property Registry
Vital Statistics Agency

CHAPTER 39

THE AUDITOR GENERAL ACT

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CHAPTER 39

THE AUDITOR GENERAL ACT

(Assented to July 6, 2001)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

PART 1

DEFINITIONS

Definitions

1 In this Act,

"department" means a department or branch of the government; (« ministère »)

"external auditor" means a professional auditor or firm of professional auditors appointed to audit the financial statements of a government organization; (« vérificateur externe »)

"government organization" means a department, government agency or fund included in the summary financial statements of the government reporting entity referred to in clause 65(1)(b) of *The Financial Administration Act*; (« organisme gouvernemental »)

"public money" means public money as defined in *The Financial Administration Act*; (« fonds publics »)

"recipient of public money" means

(a) a person, organization or other body

(i) that has received, directly or indirectly, a grant, loan or advance from the government or a government organization,

(ii) to whom the government or a government organization has transferred property for no consideration or consideration substantially less than its fair market value, or

(iii) for whom the government or a government organization has guaranteed the performance of an obligation or given an indemnity,

(b) a business entity or organization that has received a tax credit under a Manitoba law, or

(c) a business entity or organization that has issued a share, debt obligation or other security, if a person is eligible for a tax credit under a Manitoba law in respect of that acquisition or ownership of the security,

but does not include a government organization. (« bénéficiaire de fonds publics »)

PART 2

AUDITOR GENERAL

Appointing the Auditor General
2(1) On the recommendation of the Standing Committee of the Assembly on Privileges and Elections, the Lieutenant Governor in Council must appoint an Auditor General of Manitoba, as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act.

Role respecting government policy objectives
2(2) Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government.

Appointment process
3(1) The President of the Executive Council must convene a meeting of the Standing Committee on Privileges and Elections if

(a) the office of Auditor General is vacant;

(b) the term of the Auditor General in office will expire within 12 months; or

(c) the Auditor General has resigned and the resignation takes effect within 12 months.

Recommendations of committee
3(2) The Standing Committee on Privileges and Elections must consider candidates for the position of Auditor General and make recommendations to the President of the Executive Council.

Appendix D (cont'd.)

The Auditor General Act (cont'd.)

Meetings of committee
3(3) To carry out its responsibilities, the Standing Committee on Privileges and Elections may meet during a session of the Legislature or during a recess after prorogation.

No other public office
3(4) The Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

Term
4 The Auditor General is to hold office during good behaviour for a term of 10 years, and may be reappointed for further terms of 10 years each.

Salary
5(1) The Auditor General must be paid a salary within the range of salaries paid to senior deputy ministers in the civil service, and is entitled to the same privileges of office as a senior deputy minister.

No reduction in salary
5(2) The Auditor General's salary must not be reduced except by a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Civil Service Superannuation Act applies
6(1) The Auditor General is an employee within the meaning of *The Civil Service Superannuation Act*.

Civil Service Act does not apply
6(2) *The Civil Service Act*, except sections 42 and 43, does not apply to the Auditor General.

Suspension or removal
7(1) The Lieutenant Governor in Council may suspend or remove the Auditor General from office on a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Suspension if Assembly not sitting
7(2) When the Assembly is not sitting, the Lieutenant Governor in Council may suspend the Auditor General for cause, if advised to do so in writing by a majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the political parties in opposition. But a suspension imposed when the Assembly is not sitting may not continue beyond the end of the next sitting.

The Auditor General Act (cont'd.)

Deputy Provincial Auditor General
8(1) On the Auditor General's recommendation, the Lieutenant Governor in Council may appoint a Deputy Auditor General in accordance with *The Civil Service Act*.

Duties
8(2) If the Auditor General is absent or unable to act or if the office is vacant, the Deputy Auditor General has the powers and must carry out the responsibilities of the Auditor General.

Salary in certain cases
8(3) During any period that the Deputy Auditor General must assume the Auditor General's responsibilities for an extended period, the Lieutenant Governor in Council may direct that the Deputy be paid a salary within the same range as the Auditor General.

No other public office
8(4) The Deputy Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts
9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money
9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

Audit of the Public Accounts
9(3) The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

Appendix D (cont'd.)

The Auditor General Act (cont'd.)

Opinion about the Public Accounts

9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.

Report to ministers

9(5) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly under subsection 10(1).

Advice to officials

9(6) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Annual report to Assembly

10(1) No later than December 31 in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9.

Content of the report

10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

(a) required information was not provided or was not provided within a reasonable time;

(b) accounts were not properly kept or public money was not fully accounted for;

(c) essential records were not maintained, or the rules and procedures applied were insufficient, to

(i) safeguard and control public property,

(ii) secure an effective check on the assessment, collection and proper allocation of revenue, or

(iii) ensure that expenditures were made only as authorized;

(d) public money was expended for purposes other than those for which it was appropriated by the Legislature;

(e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Report may include recommendations
10(3) The report may include any recommendation the Auditor General wishes to make, and may draw attention to and make recommendations about any audit conducted by an external auditor under section 12.

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly
11 The Auditor General may make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit
12(1) When an external auditor is appointed to audit the financial statements of a government organization, the Auditor General may require the external auditor to give the Auditor General a description of the proposed scope of the audit before the audit is begun. The Auditor General may then require changes to be made in the scope of the audit.

Further directions
12(2) Before an external auditor issues an audit opinion on the financial statements of a government organization, the Auditor General may require the external auditor to

(a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and

(b) conduct additional examinations relating to the financial statements.

Appendix D (cont'd.)

The Auditor General Act (cont'd.)

Audit working papers
12(3) The Auditor General may require an external auditor to give the Auditor General a copy of the audit working papers.

Audit opinion
12(4) As soon as an audit is completed, an external auditor must give the Auditor General a copy of the audit opinion on the financial statements of a government organization and any recommendations arising out of the audit of the financial statements.

Reliance on external auditor's report
13 In order to fulfil his or her responsibilities as the auditor of the government's accounts, the Auditor General may rely on the report of an external auditor of a government organization or of a subsidiary of a government organization.

AUDIT OF OPERATIONS

Audit of operations
14(1) In carrying out his or her responsibilities under this Act, the Auditor General may examine and audit the operations of a government organization with regard to any of the following matters:

(a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;

(b) whether public money has been expended with proper regard for economy and efficiency;

(c) whether the Assembly has been provided with appropriate accountability information;

(d) whether the form and content of financial information documents is adequate and suitable.

Report to ministers
14(2) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.

Report to officials
14(3) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Report to Assembly
14(4) The Auditor General must report to the Assembly annually on the work carried out under this section, and may bring to the Assembly's attention anything he or she considers necessary, including recommendations.

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money
15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction
15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Offence
15(3) A person who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of not more than $10,000.

Reliance on report of other auditor
15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

SPECIAL AUDIT ON REQUEST

Special audit on request
16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Report
16(2) The Auditor General must report the findings of an audit under this section to the person or body that requested the audit and to the minister responsible for any government organization concerned.

Report submitted to the Assembly
16(3) The Auditor General may submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.

JOINT AUDIT

Joint audit
17 With respect to public money that is spent jointly, the Auditor General may undertake a joint audit with the Auditor General of Canada, an Auditor General or Provincial Auditor of another province or territory, or an auditor of a municipality.

PART 4

POWERS OF THE AUDITOR GENERAL

Access to records
18(1) Despite any other Act, the Auditor General is entitled to access at all reasonable times to the records of any government organization that are necessary for the purpose of this Act.

Access to information

18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

(a) any person in the public service or formerly in the public service;

(b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or

(c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

No access to Cabinet confidences

18(3) Despite subsections (1) and (2), the Auditor General shall not have access to information described in subsection 19(1) of *The Freedom of Information and Protection of Privacy Act*, except in the circumstances mentioned in subsection 19(2) of that Act.

Part V of Evidence Act powers

19 The Auditor General or his or her delegate may examine any person on oath on any matter that the Auditor General considers relevant to an examination and audit under this Act, and for that purpose the Auditor General or delegate has the powers of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

Staff in government organizations

20 To carry out responsibilities under this Act more effectively, the Auditor General may place a person or persons employed under the Auditor General in any government organization, and the organization must provide the necessary office accommodation.

Security requirements

21 The Auditor General must ensure that every person employed under the Auditor General who is to examine records of a government organization complies with any security requirements applicable to persons employed in that organization.

PART 5

GENERAL PROVISIONS

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act

22(1) Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*.

Civil Service Superannuation Act applies

22(2) Officers and employees of the Auditor General, including the Deputy Auditor General, are employees within the meaning of *The Civil Service Superannuation Act*.

Office of the Auditor General

23 The Auditor General is responsible for the internal operations of his or her office and for the persons employed under the Auditor General. For those purposes, the Auditor General may

(a) establish office policies and procedures consistent with practices followed by the government;

(b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;

(c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;

(d) maintain an independent bank account; and

(e) contract for professional services.

CONFIDENTIALITY

Confidentiality

24(1) The Auditor General and everyone employed under the Auditor General shall preserve secrecy concerning all matters that come to their knowledge in the course of their work under this Act, and shall not communicate those matters to any person unless required to do so in connection with the proper administration of this Act or a proceeding under this Act,

or in a court of law.

Exception
24(2) Nothing in subsection (1) limits the Auditor General's right to report under this Act on the conclusions of an examination or audit.

Working papers confidential
25 The working papers relating to an examination or audit by the Auditor General or a person employed under the Auditor General are confidential and must not to be laid before the Assembly or any committee of the Assembly.

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office
26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare a report. The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1).

Annual report
26(2) Before August 1 each year, the Auditor General must report to the Assembly on the operations of his or her office. The report must include

(a) information on the performance of the office; and

(b) the report on the annual audit under subsection (1).

ESTIMATES

Estimates
27(1) The Auditor General shall present annually to the Legislative Assembly Management Commission estimates of the amount of money that will be required for the purpose of this Act.

Special report
27(2) The Auditor General may make a special report to the Assembly if he or she thinks that the amount of money provided in the estimates submitted to the Legislature is inadequate.

Appendix D (cont'd.)

The Auditor General Act (cont'd.)

Money
27(3) The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature.

Unexpended money to be paid into Consolidated Fund
27(4) All money which has been authorized by an Act of the Legislature to be paid and applied for the purposes of this Act that remains unexpended at the end of the fiscal year must be paid to the Minister of Finance and becomes part of the Consolidated Fund.

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly
28(1) When making a report to the Assembly under this Act, the Auditor General must submit the report to the Speaker. The Speaker must lay a copy of it before the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the beginning of the next sitting.

Distribution to members of the Assembly
28(2) On receiving a report under this Act, the Speaker must direct that copies be sent to the members of the Assembly.

Referral to Public Accounts Committee
28(3) A report to the Assembly under this Act stands referred to the Standing Committee on Public Accounts.

PROTECTION FROM LIABILITY

Protection from liability
29 No proceeding may be instituted against the Auditor General, the Deputy Auditor General, or any person employed under the Auditor General,

(a) for any act done in good faith in the performance or intended performance of a duty or in the exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

30 *The Provincial Auditor appointed under* ***The Provincial Auditor's Act*** *continues in office as the Auditor General under this Act as if appointed under this Act for a term that expires on the day the appointment under* ***The Provincial Auditor's Act*** *would expire.*

Consequential amendments

31 *The Acts listed in the Schedule are amended as described in the Schedule.*

Repeal

32 *The Provincial Auditor's Act*, R.S.M. 1987, c. P145, is repealed.

C.C.S.M. reference

33 This Act may be referred to as chapter A180 of the *Continuing Consolidation of the Statutes of Manitoba.*

Coming into force

34 This Act comes into force on a day fixed by proclamation.

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTION PLAN 2003/04

Objective	Strategy	Activity	Expected Results
Goal 1 - Education, Training and Awareness -- To ensure a culture that supports sustainable procurement practices exists with the Office of the Auditor General			
To expand the knowledge, awareness, and skills base of all staff regarding sustainable development principles and philosophy.	Increase the general knowledge of all office staff regarding sustainable development principles.	Through the Professional Development Committee arrange for Sunrise Speakers.	More awareness of Manitoba's Sustainable Development initiative and policy resulting in long term behaviour changes.
		Staff to attend Sustainable Development workshops as available.	
		Hold "contest" for most creative recycling or other sustainable development ideas.	
		Prepare overview presentation regarding Provincial objectives and Office's commitment to sustainable development.	
	Integrate sustainable development objectives into the Office business plans.	Identify sustainable development actions and targets for consideration and inclusion in the business planning process.	Business plans will reflect sustainable development objectives.
		Determine cost/benefit of strategies. Prioritize based on largest environmental "benefit".	
		Develop Divisional operational plans taking into consideration sustainable development objectives.	
		Where possible, develop clear quantifiable performance indicators to measure success in achieving sustainable development objectives.	
	Develop sustainable development policies and procedures.	Review best practices in other comparable organizations.	Sustainable development policies and procedures are in place and staff are following policies.
		Draft Sustainable Development policy and purchasing guidelines for Executive approval.	
		Adjust manuals and procedures to reflect sustainable development guidelines.	
		Develop an awareness program to promote new policies and procedures.	
		Implement policies and procedures.	

Appendix E

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTION PLAN 2003/04

Objective	Strategy	Activity	Expected Results
Goal 1 - Education, Training and Awareness – To ensure a culture that supports sustainable procurement practices exists with the Office of the Auditor General			

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTION PLAN 2003/04

Objective	Strategy	Activity	Expected Results
Goal 2 - Pollution Prevention and Human Health Protection – To protect the health and environment of Manitobans from possible adverse effects of Government of Manitoba operations and activities and provide a safe and health working environment.			
Reduce the purchase and use of toxic, non-biodegradable, or non-recyclable substances.	Identify non-environmentally friendly substances presently used in the Office.	Consider internal ban/phase out of substances where appropriate alternatives or substitutes can be found.	Use of "unfriendly" substances reduced or eliminated.
		Identify alternative products and substitutes. Purchase accordingly.	
		For new supplies/products ensure that products are environmentally friendly before purchasing.	
Reduce solid waste sent to the landfill.	Implement "blue box" recycling for all recyclable waste in the office.	Evaluate the feasibility of using "shredding" service to increase recycling and reduce waste to landfill.	Increase in recycling and less garbage to landfill.
Goal 3 - Reduction of Fossil Fuel Emissions – To reduce fossil fuel emissions by the Office of the Auditor General operations and activities.			
Reduce both consumption and emissions of vehicle fuels.	Encourage less use of personal vehicles and encourage the use of public transit and car pools.	Consider subsidizing transit passes or parking for car pools.	Less use of personal vehicles.
	Promote the use of ethanol-blended fuels and alternative energy sources.	Educate staff regarding the benefits of ethanol fuel to encourage the use of ethanol fuel.	An increased use of ethanol-blended gasoline.
		Encourage staff to use ethanol fuel when traveling on Office business.	
	For "company" vehicles, replace with fuel efficient/alternate fuel vehicles.	Research options regarding purchase alternatives when replacement vehicles are required.	New vehicle has already been ordered from Fleet Vehicles for delivery in February 2003.

Appendix E (cont'd.)

Sustainable Development Action Plan 2003/04 (cont'd.)

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTION PLAN 2003/04

Objective	Strategy	Activity	Expected Results
Goal 4 - Resource Conservation - To reduce the use and consumption of resources by the Office of the Auditor General in a sustainable and environmentally preferable manner.			
To reduce the total annual consumption of utilities including natural gas, electricity, propane, fuel oil and water		Develop clear instructions for the "last person out" to turn off lights, check doors, and turn on the alarm	Reduced consumption of utilities
		Explore the feasibility of installing automatic light timers to turn lights off	
		Explore products that could reduce the amount of radiant heat (from the windows) in the summer and increase radiant heat in the winter	
Within the context of reduced resource use, increase the proportion of environmentally preferable products and environmentally preferable services used by the OAG by the end of fiscal year 2003	Use environmentally preferred products and services as much as possible	100% use of recycled paper containing 30% recycled content	Increased use of recyclable product/ services.
		When leasing or purchasing new office equipment such as photocopiers, printers, fax machines, etc., we should look at the most environmentally friendly technology available. This should be one of the selection criteria.	Environmental considerations included in selection criteria. Actively seek out environmentally friendly products/ suppliers.
		Establish performance indicators to measure sustainable development goals.	
		Investigate the use "Green" hotels and facilities where applicable at a reasonable price.	
		Explore the use of an electronic audit software program to increase efficiency, and to reduce paper usage and printer supplies.	
	Continue working with MDA to acquire, stock and flag "Green" products	Identify environmentally preferable products and environmentally unfriendly products presently being used	
		Identify substitutes and alternatives.	

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTIONS IN 2003/04

Objective	Target	Update
Goal 2 – Pollution Prevention and Human Health Protection – To protect the health and environment of Manitobans from possible adverse effects of environmental pollution and ensure that provincial facilities and provincially supported activities and projects enable and provide a safe and healthy working environment		
Goal 3 – Reduction of Fossil Fuel Emissions – To reduce fossil fuel emissions by the Office of the Auditor General operations and activities		

Sustainable Development Action Plan
2004/05 to 2006/07

Appendix
E

ORGANIZATIONAL SUSTAINABLE DEVELOPMENT ACTION PLAN 2003/04

Objective	Strategy	Activity	Expected Results
Goal 4 - Resource Conservation - To reduce the use and consumption of resources by the Office of the Auditor General in a sustainable and environmentally preferable manner.			
	Integrate the use of environmentally preferable products and services as objectives into business planning.	Build the purchase and use of green products and services into contracts and tenders.	
		Integrate the purchase and use of green products and services into policies, manuals and procedures.	
Goal 5 - Community Economic Development – To ensure that the Auditor General's procurement practices foster and sustain community economic development.			
To increase the participation of Aboriginal peoples and suppliers in providing for the governments goods and services needs.	Identify aboriginal suppliers of goods and services.	Contact aboriginal agencies when purchasing goods or services to identify any aboriginal suppliers. Ensure that aboriginal suppliers are included in the request for quotes/tenders.	Aboriginal suppliers included in request/ tender proposals and given fair consideration in selection process.
Assist in the development and growth of local environmental industries and markets for environmentally preferable products and services.	Promote Government of Manitoba compliance with Sustainable Development Procurement Guidelines.	No action at this time.	
To increase the participation of small businesses, community based businesses, and Co-ops in Manitoba Government procurement opportunities.		No action at this time.	
Other Strategies:			
	To promote the acceptance of Sustainable Development objectives though the performance of Compliance Audits.	Conduct Sustainable Development Compliance Reviews of Government Departments and Agencies to help ensure that appropriate action is being taken on this government-wide initiative.	
		Incorporate limited sustainable development review criteria in all audits, both financial and value-for-money.	

Appendix F

Agents

The Office of the Auditor General has continued with the policy of using the services of private sector chartered accountant firms to assist with the discharging of some of the Office's attest audit responsibilities. These firms act as Agents for the Auditor General under the authority of Section 23(e) of The Auditor General Act, and we wish to acknowledge their contributions in supplementing our staff resources. The following firms acted as our agents in respect of the fiscal year ended March 31, 2003:

BDO Dunwoody LLP
Booke and Partners
Deloitte & Touche LLP
Grant Thornton LLP
KPMG LLP

Professional Services

In addition the following firms/individuals worked with our Office during the past fiscal year:

AEP Consultants
Aikins MacAulay & Thorvaldson: Mr. T. Bock
BDO Dunwoody LLP
Deloitte & Touche LLP: Mr. B. Tario
Ellement & Ellement, Actuaries
Grant Thornton LLP
Harris, Mr. E.: Consultant
KPMG Investigation & Security Inc.: Mr. R. Anderson
The Manitoba Museum: Ms. K. Pettipas, Curator
MicroAge
Office of the Auditor General - Canada: Mr. C. Asselin
Pele Research & Consulting
PricewaterhouseCoopers, LLP
Probe Research Inc.
Progestic International Inc.
Roos, Noralou P.
Thompson Dorfman Sweatman: Mr. B. Graham
University of Manitoba - Asper School of Business
Young, Ms. D.: Communications Specialist

AUDITOR GENERALS
of the Province of Manitoba
Over 100 Years of Service

Alexander Begg	Provincial Auditor	1876 - 1879
Walter R. Nursey	Provincial Auditor	1879 - 1888
George Black	Provincial Auditor	1888 - 1916
J. Gordon Steele	Comptroller-General	1916 - 1921
Robert Drummond	Comptroller-General	1921 - 1933
J.C.M. Ligertwood	Comptroller-General	1933 - 1936
F.B. Brisbin	Comptroller-General	1936 - 1938
C.A. Glover	Comptroller-General	1938 - 1944
George D. Iliffe	Comptroller-General	1944 - 1966
James G. McFee	Comptroller-General	1966 - 1969

Assembly Legislates Auditor Independence from Government - 1969

James G. McFee	Provincial Auditor	1969 - 1972
W.K. (Bill) Ziprick	Provincial Auditor	1972 - 1985
Fred H. Jackson	Provincial Auditor	1985 - 1992
Carol Bellringer	Provincial Auditor	1992 - 1996
Jon W. Singleton	Provincial Auditor	1996 - 2002
	Auditor General	2002 - Current

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